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SECTORAL POLICY QUESTIONS: FOOD AND SUSTAINABLE AGRICULTURAL DEVELOPMENT

The use of freshwater resources for food and agricultural production, as well as the implications of the results of the Uruguay Round of multilateral trade negotiations for food production, including agro-industrial products and on global food security in developing countries

Report of the Secretary-General

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I. INTRODUCTION

1. In its resolution 49/103, the General Assembly urged the international community to place food and agricultural development high on the development agenda and to mobilize resources at the national, bilateral and multilateral levels in support of sustainable productive agriculture and food security in developing countries. It recognized that freshwater resources are an increasingly scarce commodity in a growing number of countries, and that there is a need to increase food production in developing countries, in part through improved irrigation and water resource management. The Assembly also noted that the agreements reached in the Uruguay Round of multilateral trade negotiations have established a basis for the reform of trade in agriculture, and will have an important impact on the development of food production, agro-industrial products, and international markets for agricultural and tropical products, as well as on global food security. The Assembly requested relevant organizations and bodies of the United Nations system and the multilateral financial institutions to strengthen their efforts to assist interested developing countries in the formulation and implementation of national water policies and strategies, and called upon the international community to give special attention to the revitalization of economic growth and sustainable development in developing countries, through, inter alia, a more diversified food and agriculture sector. Finally, the Assembly requested the Secretary General, in consultation with the relevant organs, organizations and bodies of the United Nations system, to submit a report on the implementation of the resolution, focusing in particular on the use of freshwater resources, as well as on the effects of the results of the Uruguay Round on food production, including agro-industrial products and global food security in developing countries.

2. The present report has been prepared in response to that request and has benefited, in particular, from contributions by the Food and Agriculture Organization of the United Nations (FAO), the United Nations Conference on Trade and Development (UNCTAD) and the United Nations Development Programme (UNDP). Section II covers issues concerning the use of freshwater resources in relation to food and agricultural development and the activities of organizations of the United Nations system in that area. Section III deals with the possible effects of the Uruguay Round Agreement on Agriculture on food production, including agro-industrial products and global food security in developing countries.

II. FRESHWATER RESOURCES AND AGRICULTURAL PRODUCTION

A. Introduction

3. The stock of global freshwater supplies comprises basically two forms: surface water and groundwater. Surface water consists of the freshwater in rivers, lakes and reservoirs that collects and flows on the earth's surface. Groundwater, by contrast, collects in porous layers of underground rock known as aquifers. Though some groundwater is renewed by the percolation of rain or melted snow, most has been accumulated over geologic time and, because of its location, cannot be recharged once it is depleted (Tielenberg, 1992).

4. Globally, the available supply of freshwater (total run-off) exceeds current demand by about 10 times. That aggregate statistic, however, masks significant differences in the distribution of and demand for freshwater worldwide. The impact of growing demand in relation to supply in certain parts of the world is already resulting in severe excess demand situations in such regions. An Urbanizing World: Global Report on Human Settlements, 1996 1/ estimates that by the year 2000, worldwide available freshwater supplies will be equivalent to only 3.5 times demand because of world population growth.

5. The present section briefly reviews some salient issues related to freshwater resources, agricultural production and food security. It also provides a brief overview of the activities of agencies of the United Nations system and other organizations on water resources management.

B. Availability and regional distribution of freshwater 2/

6. If global run-off were divided evenly across continents, it could provide each person with 7,690 cubic metres (m^3) a year of freshwater (1990 population). In reality, however, some continents are rainier than others, and there are important variations within continents (see table 1). Per capita water utilization varies widely between continents, from 1,692 m^3 per year in North America to 244 m^3 per year in Africa.

7. Worldwide, almost 70 per cent of water consumption is used in agriculture (see table 2). However, the share of agriculture is constantly declining due to rising demands from other sectors. The pattern of water use reflects the process of economic development: as wealth increases, water withdrawal shifts from agriculture to industry and the household sector.

8. In many irrigation systems, water is lost at every stage between the source and the crop. Average losses in irrigation projects suggest that only about 45 per cent of water diverted or extracted for irrigation actually reaches the crop, but losses vary widely between 5 and 50 per cent. Sources of loss are field application losses (25 per cent), farm distribution losses (15 per cent) and irrigation system losses (15 per cent) (FAO, 1994).

9. Most of the water runs off or evaporates before it even reaches the plants. The above-mentioned figures characterize agriculture as a low-efficiency water user. In many countries, although scarcity is less of a problem at the national level, overuse of groundwater, contributing to waterlogging and salinity, has become a major problem in specific regions, such as northern China, western and southern India and parts of Mexico.

Table 1. Annual freshwater supply and withdrawal, by continents and selected countries, 1990

Continents/countries	Water supply			Water withdrawal		
	Total (km^3)	Per km^2 (m^3)	Per capita (m^3)	Total (km^3)	Per capita (m^3)	Per capita use/supply ratio (percentage)
World	40 673	309 799	7 690	3 240	660	9
Africa	4 184	141 154	6 460	144	244	4
Kenya	15	26 330	590	1.1	48	8
Zaire	1 019	449 374	28 310	0.7	22	>0
North America	6 945	324 882	16 260	697	1 692	10
Mexico	357	187 039	4 030	54	901	22
Canada	2 901	314 609	109 370	42	1 752	2
South America	10 377	591 982	34 960	133	476	1
Peru	40	31 250	1 790	6.1	294	16
Brazil	5 190	613 728	34 520	35	212	1
Asia	10 485	383 893	3 370	1 531	526	16
China	2 800	300 223	2 470	460	462	19
Indonesia	2 530	1 396 579	14 020	17	96	1
Europe	2 321	490 746	4 660	359	726	16
Poland	49	160 946	1 290	17	472	37
Sweden	176	427 579	21 110	4.0	479	2
Oceania	2 011	238 639	75 960	23	907	1
Australia	343	45 025	20 480	18	1 306	6
Papua New Guinea	801	1 768 759	199 700	0.1	25	>0

Source: Data drawn from World Resources Institute (in collaboration with the United Nations Environment Programme and the United Nations Development Programme, World Resources 1992-1993 (Oxford University Press, 1993).

Table 2. Uses of freshwater, by continents and selected countries, 1990

(Percentages)

Continents/countries	Domestic	Industry/power	Agriculture
World	8	23	69
Africa	7	5	88
Kenya	27	11	62
Zaire	58	25	17
North America	9	42	49
Mexico	6	8	86
Canada	11	80	8
South America	18	23	59
Peru	19	9	72
Brazil	43	17	40
Asia	6	8	86
China	6	7	87
Indonesia	13	11	76
Europe	13	54	33
Poland	16	60	24
Sweden	36	55	9
Oceania	64	2	34
Australia	65	2	33
Papua New Guinea	29	22	49

Source: Same as table 1.

C. Water resource development and food security

1. World Food Summit

10. At its twenty-eighth session, in October 1995, the FAO Conference called for the convening of a World Food Summit at the level of heads of State or Government in Rome in November 1996; the holding of the Summit was also unanimously endorsed by the General Assembly. The objective of the Summit is to renew the commitment of world leaders to the eradication of hunger and malnutrition and the achievement of lasting food security for all.

11. The Summit is intended to address the need for global action to redress human society's most basic problem: food insecurity. It is expected to lead to the adoption of appropriate policies and strategies at international and national levels, as well as a plan of action for implementation by all parties concerned: Governments, international institutions and all sectors of civil society. Water management is one of the important issues to be discussed at the Summit. 3/

2. Problem areas with respect to food security

12. When annual internal renewable water resources are less than 1,000 m^3 per caput, water availability is considered a severe constraint on socio-economic development and environmental protection. More than 230 million people living in some 26 countries - 11 in Africa and 9 in the Near East - already fall into that category. Table 3 lists the countries in which per caput internal renewable water availability will fall below 1,000 m^3 by the year 2000.

Table 3. Countries predicted to have scarce water resources in 2000

Country a/	Population in 2000 (millions)	Water availability	
		Internal renewable water resources (m^3 per caput)	Water resources, including river flows from other countries (m^3 per caput)
Egypt	62.4	29	934
Saudi Arabia	21.3	103	103
Yemen	16.2	155	155
Syrian Arab Republic	17.7	430	2 008
Kenya	34.0	436	436
Algeria	33.1	570	576
Hungary	10.1	591	11 326
Rwanda	10.4	604	604
Malawi	11.8	760	760
Sudan	33.1	905	3 923
Morocco	31.8	943	943
Somalia	10.6	1 086	1 086

Source: FAO, "Water policies and agriculture", in The State of Food and Agriculture 1993 (Rome, 1993).

a/ Countries with smaller populations also included in the water-scarce category: Libyan Arab Jamahiriya, United Arab Emirates, Jordan, Mauritania, Israel, Tunisia, Burundi, Botswana, Oman, Barbados, Cape Verde, Djibouti, Malta, Qatar and Singapore.

Countries with less than 2,000 m^3 per caput face a serious marginal water scarcity situation, with major problems occurring in drought years. By the end of the 1990s, water availability is expected to fall below 2,000 m^3 per caput in more than 40 countries. The continents of Africa and Asia, in particular, are showing signs of a decline in freshwater availability, and water quality is also declining. In contrast, South America is well endowed.

13. Irrigated agriculture, which is much more productive than rain-fed agriculture, contributes nearly 40 per cent of world food production on 17 per cent of the world's cultivated land. The intensive agronomic technology that has allowed steady increases in world food production, based on high-yielding varieties coupled with the application of fertilizers and effective means of pest control, is largely dependent on irrigation to secure and control soil moisture in the face of insufficient and unreliable rainfall. But irrigated agriculture is a highly water-intensive activity. It claims nearly 70 per cent of world water abstraction - over 90 per cent in agricultural economies in the arid and semi-arid tropics but less than 40 per cent in industrial economies in the humid temperate regions.

14. As food needs increase, however, it is becoming increasingly difficult to supply more water to farmers. If industrial and municipal use, water losses and in-stream flow requirements are also taken into account, overall water requirements by 2025 appear to overcommit all accessible run-off by some 5 per cent. The figures underlying that analysis (respective contribution of irrigation and rain-fed agriculture, amount of water required to produce human diet and in-stream flow requirements) may be subject to different interpretation. However, it is clear that human demands will soon clash with the ability of the hydrological cycle to supply water. Water is becoming globally scarce, and that fundamental resource constraint will have an effect on the cost of food.

15. A worldwide overview of water supply and projected demand reveals the specific concerns of individual regions. Virtually all countries with mainly arid territory, such as countries in the Near East and North Africa, are already net food importers. The priority in water use in those countries will be to secure adequate water for cities and a healthy economy in the industry and service sectors in order to earn the income required for food imports. Because of the scarcity value of water, such regions will not be able to harbour water-intensive industries. The agriculture sector in water-scarce arid countries is bound to rely increasingly on wastewater freed by cities and to specialize in producing the crops yielding highest revenue and unsuitable for transportation. Food security in such countries will be closely tied to the solidity of their trading position.

16. In Asia, the amount of freshwater currently available per person and per year (3,300 m^3) is quite close to the amount of water needed to produce the food requirements per person per year (2,000 m^3 for a balanced diet with some meat). As population and the diversity of the Asian diet increases and the scope for irrigation expansion and water development narrows, intersectoral competition increases. Since 60 per cent of the world population live in Asia, that trend has the potential to severely stress global food markets. The economic strength of a number of countries in Asia is widely recognized, but it

should not be overlooked that there remain large pockets of poverty, in particular in South Asia.

17. Africa, with the exception of the central Congo-Zaire basin, is the driest continent besides Australia, and it suffers from the most unstable rainfall regime. Each year, more people are at risk from the effects of inevitable droughts of greater or lesser severity. Moreover, Africa's water resources are relatively less developed than those of other regions. Agricultural productivity per caput in sub-Saharan Africa has not kept pace with population increase and the region is now in a worse position nutritionally than it was 30 years ago: food production has achieved a growth of about 2.5 per cent per year, while population has risen at the rate of 3 per cent per year. Moreover, Africa's ability to earn from exports in order to buy food has not improved. In the past, additional food in Africa continued to come from increasing the area cultivated, but now good land is becoming scarce and the region will be forced to intensify production systems to increase yields. Water development, in its various forms from water harvesting to modern piped irrigation, is destined to make a major contribution to transforming the efficiency and security of the African food supply.

18. As a continent, Latin America is well endowed with water, although there are substantial interregional differences. Water problems in Latin America are mainly related to low water-use efficiency, resource management, environmental degradation and pollution control.

19. Increased production to satisfy the food demand of the future must essentially come from intensification, not from expansion of agriculture. Both rain-fed and irrigated agriculture will have to intensify, but the intensification potential of irrigated agriculture is much higher.

3. Potential for irrigation

20. Available estimates suggest that the potential for irrigation expansion is considerable. In 1990, a World Bank/UNDP study indicated that there is scope for an increase of over 110 million hectares (ha) (59 per cent) in the irrigated area in the developing countries. The largest potential for increase is in Asia (69 million ha, or 44 per cent), followed by South America (20 million ha, or 217 per cent, mainly in Brazil). The largest potential in relation to current levels is in sub-Saharan Africa (from 3.4 million to 16.5 million ha, or 470 per cent, mainly in Angola), which represents a response to increased technical and economic opportunity and population pressure. Some countries in sub-Saharan Africa, such as Botswana, Burkina Faso, Kenya, Mali, Mauritania, the Niger, Senegal and Somalia, already have population densities and food requirements that exceed the capacity of low-input rain-fed farming, and they also have very little land with growing periods greater than 180 days. For those countries, irrigation is likely to be an indispensable part of the overall strategy for increasing food production.

21. The benefits of exploiting such irrigation potentials are considerable. According to the World Bank/UNDP study, exploiting the developing countries' 110 million ha total potential could theoretically produce an additional

300-400 million tons of grain - enough to provide the basic diet for one and a half to two billion people. However, investments of half a billion to one billion dollars would be required (FAO, 1995), although progress in engineering, such as drilling techniques, the use of cheap and light plastic, and advances in management of construction, should lower the capital costs of water development.

4. Requirements and prospects for expanding sustainable irrigation

22. During the past four decades, the development of irrigated agriculture has provided a major part of the increase in production necessary to meet population demands. By the mid-1980s, 36 per cent of total crop production came from less than 15 per cent of the arable land that was irrigated. On a global basis, the average rate of expansion of irrigated land was about 1 per cent per year in the early 1960s and reached a maximum of 2.3 per cent per year from 1972 to 1975. The rate of expansion began to decrease in the mid-1970s and is now less than 1 per cent per year (see figures I and II). A common cause of the decrease was the high cost of irrigation development. Construction costs have risen steadily and the world price for major cereals has fallen sharply. For example, the price for rice fell by about 40 per cent in real terms between 1965 and 1985.

23. Currently, the overall performance of many irrigation projects is much less than expected. Inadequate operation and maintenance, and inefficient management of an increasingly scarce water resource contribute to many socio-economic and environmental problems. Of major concern is the rapid rise in groundwater, leading to waterlogging, depressed crop yields and soil salinity.

24. Sustained production on both irrigated and rain-fed lands requires optimal use of the physical environment in each soil-crop-climate ecosystem. In rain-fed areas, water conservation measures, such as fallow management (including crop residue management), control of run-off and water harvesting, are of primary importance. Complementary practices are the selective development of high-yielding, drought-tolerant varieties; the efficient use of herbicides and fertilizers; crop rotation; and the use of optimal planting dates to maximize the probability of rainfall during critical periods of crop growth. The synergistic effects of such practices are complex when integrated into rain-fed farming systems but are even more pronounced under irrigated agriculture, when additional effects may arise due to continuous mono-cropping. In rice production areas, for example, drainage may be required to remove toxic substances that accumulate in the soil after several consecutive crops of rice.

Figure I. Area of irrigated land, by region

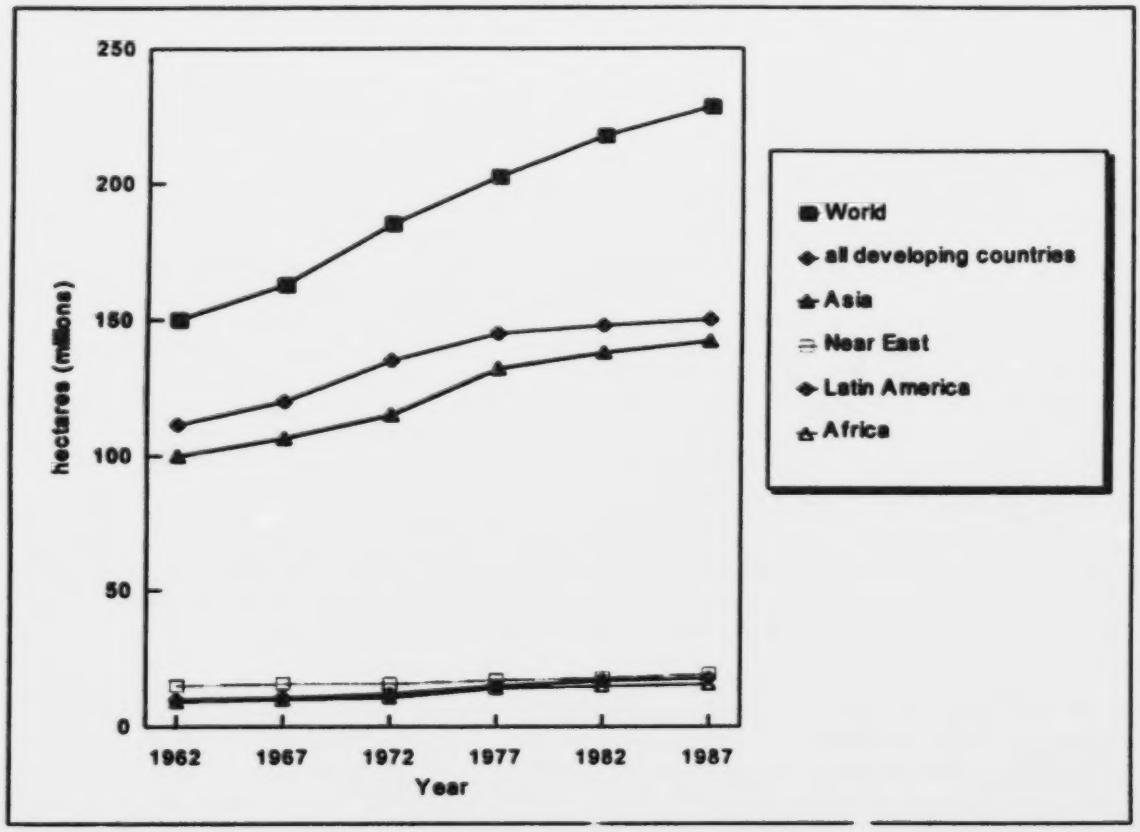
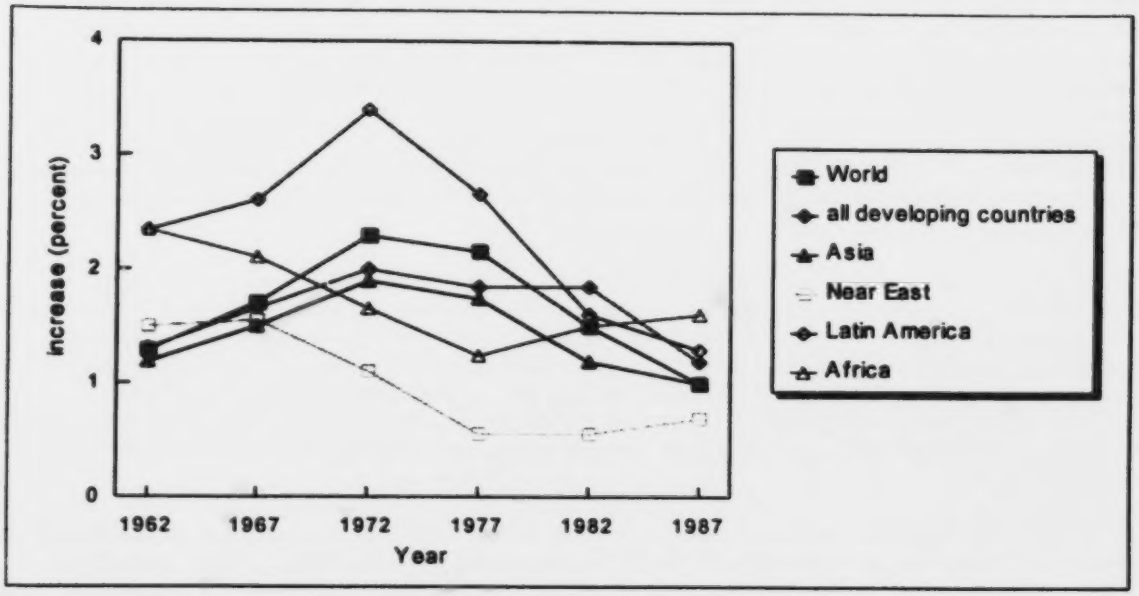


Figure II. Rate of increase in irrigated land, by region



D. Water policies and strategies in developing countries

25. A growing need for effective and timely measures to address urgent water problems that are often directly or indirectly related to agricultural water uses, such as water scarcity and environmental degradation, has increased the demands for improved decision-making, clear water policies, and adequate legal and institutional frameworks at the national level. Many countries, however, even though they face growing water problems, are not giving sufficient attention to or do not have the necessary capacity to take management measures and develop national water sector policies and the institutions to implement them.

26. Individual countries - faced with different climates, levels of water availability, economic structures, population pressures, and cultural, political and administrative systems - need to establish politically acceptable water policies to address country-specific priority issues. With a significant portion of the world's water resources being shared between two or more countries, clear and harmonized national water policies also form an important base for intercountry dialogues on cooperation and development of transboundary waters.

27. The implementation of national water sector policy requires a comprehensive approach based on an agreed and well established methodology. FAO, together with UNDP and the World Bank and in collaboration with national Governments, has developed a methodology and published guides and frameworks on approaches, processes and practices for water sector policy review at the national level. The purpose of the guides is to stimulate countries to undertake national water sector reviews; elucidate the wide range of water management measures available and their ramifications, including the relationship between the water sector and other parts of the economy; and promote national policy and legislative reform, planning and institutional development in national water sectors. Thus, the guidelines support and provide a specific methodology for the implementation of generally accepted concepts for water policy, as provided for under Agenda 21 4/ and the Dublin Statement (A/CONF.151/PC/112, annex II), and enunciated in the World Bank policy paper Water Resources Management. 5/

28. An increasing number of developing countries have initiated the process of review and reform of water-sector policies. In addition, support and technical assistance to national water-sector policy reform has increasingly been adopted by donors as priority areas.

29. National water-sector policy reviews, as part of a nation's policy-making, involve sensitive issues. It is important that policy measures be carefully selected to adapt to country-specific situations, and that the process involve and secure the commitment of national decision makers. It is in general not effective to introduce individual policy elements, such as legislation or water pricing, but to adopt a comprehensive approach with a balanced mix of policy measures in different fields, including water management, macro- and sectoral policy, and legal and institutional frameworks.

Improvement of existing water management

30. Improvement of existing water management projects will be the challenge facing irrigated agriculture in the future. Irrigation efficiency is influenced by many factors (technical, social, economic, institutional and others), and no isolated approach is likely to succeed in solving problems if they are not treated in an integrated manner. On the other hand, financial and human resources restrictions impose the need to concentrate actions in order to ensure a sizeable and durable impact.

31. In response to severe water shortages, for example, Mexico introduced a series of reforms intended to cut per caput water use. Educating people about how to save water, setting high efficiency standards for domestic appliances and charging realistic water rates were the main mechanisms involved, and were mirrored by federal legislation that established water as an economic commodity rather than a free good. The irrigation network was reorganized, with users being encouraged to operate, maintain and finance the large irrigation districts.

32. At the macrolevel, Governments find it increasingly hard to finance existing water policies. Therefore, many developing countries are implementing fundamental changes in macroeconomic and sectoral policies. Typical adjustment programmes call for a greater reliance on markets, more open trade, fiscal austerity, and a phasing out of producer and consumer subsidies (input and product markets). Budget-reducing measures imply increased competition between and within sectors for funding new water projects. The direct implications for water managers include fewer capital investments in new water projects; the elimination of irrigation subsidies; increased efforts to recover cost; and more emphasis on demand management to improve the efficiency of existing supplies.

33. FAO has established a major programme, entitled "Water-use efficiency", aimed at responding to the needs of member nations. The programme focuses on the following four areas, in which FAO has a comparative advantage arising from previous experience and accumulated expertise:

(a) Improvement of on-farm water management;

(b) Improvement of irrigation scheme management;

(c) Assessment and dissemination of intermediate water development techniques;

(d) Support to member nations.

E. Technical progress in water resource management

1. Modern irrigation designs, methods and techniques

34. Wastage in many irrigation systems can be reduced by improving technology and water management practices. Many existing irrigation systems were designed 50 to 80 years ago and are still using the same technology. Four directions of

irrigation systems improvement have the greatest potential for convenient services and environmentally and economically sustainable operation (FAO, 1995 (b)):

(a) Structural improvements of main systems through the use of new equipment and material (low-pressure pipes, geo-textiles etc.);

(b) Modern water control technology (local and central control of flow and water levels, decision support systems);

(c) Integrated water-use systems (conjunctive use, artificial recharge);

(d) Decentralized schemes with optimized distribution and application systems (low-lift pump schemes, small-scale irrigation).

35. What is generally needed is education and training of extension staff and farm managers to transfer experience and technology among scientists, technicians and farmers; monitoring and evaluation of irrigation project performance and groundwater; long-term strategies and planning for the management of scarce water resources; and refinement in short-term policies.

2. Small-scale water programmes

36. During recent decades, large irrigation projects have been given a high priority, while small-scale water programmes for agriculture, such as water harvesting and small-scale irrigation, have received inadequate attention. However, small-scale water programmes have considerable potential to meet agricultural and domestic water needs and to enhance land and water conservation. They can fulfil many local water needs within the context of sustainable agricultural development. The goals of such programmes include the development of small-scale irrigation; the provision of a water supply for humans and livestock; improved infiltration to groundwater; soil conservation; and flood spreading and flood control.

37. In most parts of the world, women are the main producers in rain-fed agriculture. The techniques mentioned above have particular implications for them. They may require women to take on roles traditionally reserved for men, and may also involve additional time, financial resources, technical and literacy skills and organizational capacities. Women need to be involved in such activities and to have access to inputs, otherwise the technical solutions to the water problem may not prove viable.

3. Water harvesting

38. Because large capital investments are not necessary, water-harvesting is an important element of small-scale water programmes. Water-harvesting involves catching water over a large area without crops and spreading it over the land to be cropped. In very dry areas, such as the Negev desert, the catchment area can be very large: sometimes 250 ha of catchment are used to provide water for just one hectare of crops. Variations on that theme have been used to increase the

productivity of rain-fed crops on every continent. Water-harvesting techniques range from placing lines of stones along the contour lines on fields to hold back run-off to much more sophisticated and expensive techniques. Water-harvesting techniques have two advantages to the farmer: they increase agricultural productivity and reduce soil erosion (which is caused mainly by unchecked run-off). The potential for water harvesting is particularly great in Africa, where relatively little land is irrigated and production depends primarily on rain-fed agriculture. It has been estimated that in the semi-arid and dry subhumid areas of Africa, water harvesting could increase production on 10 million ha in the short term and on 50 million ha in the long term.

4. Modern small-scale irrigation

39. The advent of cheap, dependable motors and pumps and the increasing availability of fuel or electric power has revolutionized irrigation. Small pump schemes, individual or communal, have begun to play a very important role in augmenting food production. They are widely used as a means to supplement irregular canal water supply, in particular in the river deltas of Asia but increasingly also in Africa. Pump schemes are easy to install and operate. Experience has shown that pump schemes for a small number of farmers with small landholdings are more productive in terms of yield per ha and more efficient in terms of water use than are large gravity schemes. In addition, exposure to water-borne diseases, such as bilharzia, is reduced if water is distributed through pipes.

5. Improving access to water resources: utilization of shallow aquifers

40. The term "shallow aquifer" refers to groundwater bodies in which water is accessible using indigenous methods of well construction and low-cost techniques, such as wash-bores, hand drilled wells and well points. Water for irrigation is abstracted through centrifugal pumps located at ground level or in a nearby pit, so that the pump is not more than 5 metres above the water level. The advantages of shallow aquifers for small-scale irrigation are numerous:

(a) Easy access to the resource, thanks to low capital costs that facilitate private investment by individuals or small groups of farmers;

(b) No need to convey water over long distances;

(c) Full reliance on nature to renew, store and convey water, with only limited intervention;

(d) Widespread availability, even in semi-arid areas, mostly in the alluvial deposits of valleys but also in fractured rocks. Annual rain and floods contribute to the recharge of the aquifer, which may often be increased artificially by creating small structures allowing water to infiltrate.

41. Information on the extent and yield of shallow aquifers is insufficient. A difficult problem is the management of shallow aquifers to avoid overdraft and equal access.

F. Mitigating environmental effects

42. Much agricultural land is deteriorating due to inappropriate soil and water management. Soil erosion, nutrient depletion, salinization and waterlogging all reduce productivity and jeopardize long-term sustainability. Fortunately, understanding of the causes of those negative effects has greatly increased, and in almost all circumstances corrective measures are possible.

1. Water-related vector-borne diseases

43. Water-related vector-borne diseases are most likely to be found in areas in which irrigation has been introduced. Among them, malaria is by far the most important, both in terms of the number of people annually infected and whose quality of life and working capacity are reduced, and in terms of mortality.

44. The risk that bilharzia or malaria is introduced or has an increased impact is most likely in irrigation schemes in which (FAO, 1995):

(a) Soil drainage is poor;

(b) Rice or sugar cane is cultivated;

(c) Night storage reservoirs are constructed;

(d) Borrow pits are left with stagnant water;

(e) Canals are unlined and have unchecked vegetation growth.

45. Implementation of such measures of environmental management for vector control have been successful in a number of projects in Japan, China and Zimbabwe (FAO, 1995 (a)). In China, the introduction of intermittent irrigation in rice cultivation - as opposed to continuous flooding - reduced the larval mosquito population by 85 per cent, decreased irrigation water demand by 50 per cent and increased yield by 12 per cent.

2. Waterlogging and salinization

46. The United Nations Environment Programme (UNEP) reports that the rate of loss of irrigated land from waterlogging and salinity is 1.5 million ha per year. Millions of hectares of irrigated land suffer from such progressive conditions: salinity-affected areas as a percentage of total irrigated area are estimated to stand at 10 per cent in Mexico, 11 per cent in India, 21 per cent in Pakistan, 23 per cent in China and 28 per cent in the United States of America.

47. Salinity is caused by a combination of poor drainage and high evaporation rates that concentrate salts on irrigated land; it mainly occurs in arid and semi-arid regions. Even good-quality irrigation water contains some dissolved salt and can leave behind tons of salt per hectare each year. Unless that salt is washed down below the root level, soil salinity will result.

48. A related concern is the rapid rise in groundwater levels, leading to waterlogging and depressed crop yields. Waterlogging occurs when excessive water is used in systems with finite natural drainage capacities. Seepage occurs if soils are very light; canals and watercourses are not lined or maintained; farmers near the head of a system withdraw or apply excessive amounts of water; fields are not levelled; and/or the delivery system cannot respond to rainfall by closing inflows. If seepage and horizontal recharge exceed evaporation and natural drainage, then groundwater levels rise, eventually causing waterlogging. If upward movement of water and evaporation exceed downward percolation in areas in which the groundwater, soil or irrigation water contains some salt, the build-up of salt in the soil surface layers will eventually reach toxic levels.

G. Conclusion

49. Population growth, migration and urbanization will continue to have a significant impact on all aspects of development, including the demand for food. Water policies that led to past misallocations and wastage need to be continually reviewed and their implementation supported by an enabling environment, with adequate and properly enforced law. The importance of including the intended beneficiaries in the design and implementation of new projects is now recognized, as is the need for realistic, uncomplicated project designs. The institutional capacity of Governments, non-governmental organizations and the private sector to work together is rapidly improving. A wide array of water development technologies is currently available, but private and public investment funds are needed for their implementation. The major challenge, however, is building capacity at all levels to achieve the efficient, highly productive management of water needed to secure sustainable, sufficient and low-priced food for the projected population.

50. The importance of conservation, sustainable use and integrated management of water resources needs no emphasis in the light of increasing competition for a finite and limited supply of freshwater. The Dublin Statement stressed the need for a holistic approach to the effective management of freshwater resources, including the protection of natural ecosystems. The central theme of chapter 18 of Agenda 21 is the application of integrated approaches to the conservation and sustainable use of freshwater. A number of United Nations bodies and other entities have accorded high priority, in both their regular programmes and their field projects, to the integrated management of water resources, including conservation and sustainable use, as described below.

H. Activities of United Nations bodies and other entities in the area of water resources management

1. Food and Agriculture Organization of the United Nations

51. The overall objective of the FAO International Action Programme on Water and Sustainable Agricultural Development is to assist member nations in adopting an integrated approach to water resources management in order to achieve the goals of food security, sustainable agriculture and rural development. The programme focuses on integrated rural water management, which is the management of water resources to meet the total water needs of the rural populations, including agricultural production (irrigation, livestock production and aquaculture), agro-industries, and drinking and sanitation, in an integrated manner so as to improve water-use efficiency, conserve water resources and protect water quality.

52. National action programmes on water and sustainable agricultural development have been formulated in a number of countries, such as China, Egypt, Indonesia, Mexico, Tanzania, Syria and Zimbabwe, as well as for Lake Chad. In the participating countries, such programmes have mobilized Governments to review and revise national water policies, initiate action to prepare irrigation master plans, implement pilot schemes on the reuse of waste water and undertake other similar follow-up actions.

53. FAO programmes on water conservation and water quality protection place great emphasis on food production and food security. FAO has produced guidelines and provided assistance for pilot-scale projects on water harvesting and soil moisture conservation in order to conserve rainfall and increase the soil moisture availability for crops. In the area of water quality protection, FAO has promoted the adoption of agricultural practices that would minimize non-point source pollution. Safe use of treated municipal wastewater and saline drainage waters is promoted as a means to control water pollution and augment water supplies for agriculture.

2. World Bank

54. An important United Nations system activity to promote the integrated management of water resources is the World Bank initiative to develop a comprehensive approach to water resources management. The core of the initiative is the adoption of a comprehensive policy framework and the treatment of water as an economic good, combined with decentralized management and delivery structures, greater reliance on pricing and fuller participation by stakeholders. The initiative has been adopted by the Bank as an operational directive, implying that the Bank will encourage and, when requested, selectively help countries to develop and implement national policies, strategies and programmes for managing water resources in a comprehensive manner.

55. The World Bank recently launched another initiative on integrated management of water resources in the sub-Saharan region, the key objective of which is poverty reduction through sustainable management of water resources.

Programme elements include household water security, food security and water, water quality and human health, environmental stewardship and regional cooperation.

3. United Nations Development Programme

56. UNDP has developed a sustainable agriculture networking and extension (SANE) programme. The primary goal of the SANE programme is to enhance capacity-building and human resource development in the area of sustainable agriculture through agro-ecological training, participatory research, policy advocacy and information networking among non-governmental organizations and other national/international organizations in Africa, Asia and Latin America.

57. UNDP is also in the process of developing a food security strategy for handling food security issues in its programmes. Food security is an important area of work that cuts across all aspects of sustainable human development upon which UNDP places priority (poverty alleviation, sustainable livelihoods, gender issues and environment).

58. The Office to Combat Desertification and Drought has developed a global programme to facilitate the transfer of knowledge, experience, techniques and technologies on sustainable water management in the drylands, with a focus on Africa, in partnership with the International Development Research Centre, the Centre for Development Cooperation Services of the Free University of Amsterdam, the Natural Heritage Institute (USA) and Environmental Development in the Third World (ENDA) Senegal.

59. In the area of improving the efficiency of water use for irrigation, UNDP supports the International Programme for Technology Research in Irrigation and Drainage (IPTRDI). IPTRDI was set up in 1991 to enhance irrigation and drainage technology in developing countries, in response to calls within the profession for a new initiative to enhance and expand research in developing countries. Other IPTRDI sponsors include the World Bank, the International Commission on Irrigation and Drainage (ICID), bilateral aid ministries and development foundations.

4. Department for Development Support and Management Services of the United Nations Secretariat

60. The Department for Development Support and Management Services has been designated the lead agency within the United Nations system to assist member nations in implementing the integrated water resources management component of Agenda 21. The Department is promoting the development of an interactive approach to policy formulation and resource planning, paying particular attention to the experiences gained in the various water-related projects throughout the world. That innovative approach is currently being tested through ongoing technical cooperation activities in many developing countries, such as Bolivia, the Central African Republic, India, Jordan, Morocco, Nepal, the Niger, Peru, Senegal and Yemen. By means of water sector assessments, diagnostic studies, and national and water basin programmes related to water

resources planning and management, an integrated approach is applied to water use and the equitable allocation of water among users.

5. World Health Organization and United Nations Environment Programme

61. The World Health Organization (WHO), in collaboration with UNEP, has promoted the protection of water quality in the context of human health and the conservation of aquatic ecosystems. The development and application of drinking water quality guidelines, the surveillance of drinking water quality and the eradication of water-borne diseases have been given high priority. Considerable progress has been made in the establishment of water quality monitoring programmes worldwide. International river basins, such as the Danube, the Mekong, the Parana-Plata and the Nile, are now covered by multilaterally agreed monitoring networks.

6. International Irrigation Management Institute

62. The activities of the International Irrigation Management Institute (IIMI), a Consultative Group on International Agricultural Research institution with the mandate to foster sustainable irrigated agriculture in developing countries, are relevant in the context of efforts by international organizations outside the United Nations system to promote the conservation and sustainable use of water for food production. IIMI has a strong programme on institution-building, which consists of strengthening national research capacity and human resources development for improved irrigation management.

7. International Commission on Irrigation and Drainage

63. The aim of ICID, the largest international and scientific non-governmental organization in the field of irrigation and drainage, is to stimulate and promote irrigation and development worldwide in a sustainable manner. It has established national committees in more than 80 countries, and through its regular meetings and special seminars has played a major role in the exchange of experience and technical information on the sustainable use and conservation of water in food production.

8. Inter-agency bodies

64. At the inter-agency level, there are a number of coordination mechanisms that address United Nations system activities related to freshwater resources, particularly integrated water resources management, as described below.

ACC Subcommittee on Water Resources

65. The Subcommittee has overall responsibility for the coordination of water resources activities of the United Nations system, in particular for follow-up of the Mar del Plata Action Plan and the Dublin Statements, and acts as the task

manager for chapter 18 of Agenda 21. The Subcommittee reports to the Inter-Agency Committee on Sustainable Development, which in turn reports to ACC.

Global Water Partnership

66. The Partnership focuses on coordinated and integrated approaches to sustainable water resources management, consistent with the principles of the International Conference on Water and the Environment and the United Nations Conference on Environment and Development, in the development of catalytic activities.

Informal Inter-Agency Working Group on Water of the United Nations System-wide Special Initiative for Africa

67. The Working Group, which is co-chaired by the World Bank and UNEP, was established in April 1996. It coordinates activities outlined in the water cluster of the Special Initiative. Those activities also form part of the implementation of chapter 18 of Agenda 21 (but in a specific regional setting) and of the regular and field programmes of United Nations system organizations.

Panel of Experts on Environmental Management for Vector Control

68. The Panel is a joint activity of WHO, FAO, UNEP and the United Nations Centre for Human Settlements in the area of prevention and control of water-borne and associated diseases in agricultural water development activities.

III. THE URUGUAY ROUND AGREEMENT ON AGRICULTURE AND WORLD FOOD PRODUCTION AND FOOD SECURITY

A. Introduction

69. The Final Act of the Uruguay Round of multilateral trade negotiations 6/ was signed at Marrakesh in April 1994. For the first time, Governments agreed to fundamental reform and liberalization of world trade in agricultural products. Agricultural products account for about 10 per cent of the value of world merchandise trade.

70. The present chapter focuses on the implications of the reform of world agricultural trade initiated by the Uruguay Round Agreement on Agriculture 6/ for the development of global food production, agro-industrial products and international markets for agricultural and tropical products. An important consideration is the contributions of the reforms to global food security. Also of interest is the extent to which a more open agricultural trading system will stimulate food production and productivity in developing countries, and how those countries can be assisted to transform their policies as well as provided with technical assistance.

71. After the brief overview of the main elements of the Agreement on Agriculture contained in section III B below, sections III C-F below discuss, on the basis of existing empirical studies, the likely effects of the Agreement on global production of and trade in food and agricultural products, including

agro-industrial products; global food security; and the income and food import bills of developing countries. Technical assistance needs are also identified.

B. The Agreement on Agriculture

72. An overview of the Agreement on Agriculture is presented in table 4, which identifies the provisions that apply specifically to either developed or developing countries, as well as those that apply to both. The Agreement officially entered into force in 1995. Developed countries are to complete all reduction commitments within six years, whereas developing countries have 10 years. The least developed countries are not required to make any reductions. Commodities covered are all agricultural products (except fishery and forest products), including rubber, jute, sisal, abaca and coir, which fall under normal World Trade Organization (WTO) tariff negotiations on goods. The Agreement aims to liberalize trade by improving market access, reducing domestic support and reducing export subsidies. The abolition of non-tariff barriers (through tariffication), the reductions of tariffs, subsidies and support, and the fact that nearly all tariffs will be bound represent an enormous achievement.

73. Developing countries are given special and differential treatment. Purchases and sales from food security stocks is allowed at administered prices, provided that the subsidy to producers is included in the total Aggregate Measure of Support. In addition, untargeted subsidized food distribution, investment subsidies and input subsidies are excluded from reduction commitment.

74. As to the implementation of the Agreement, aggregate domestic support will be reduced from US$ 198 billion to US$ 162 billion, and export subsidies (in value terms) will be cut from US$ 21.3 billion to US$ 13.8 billion. Most of those reductions (about 90 per cent) will take place in developed countries since they have the highest levels of support.

75. Tariffs resulting from conversion (tariffication) of non-tariff measures plus pre-existing tariffs on all agricultural products are to be reduced by 36 per cent (developed countries) and 24 per cent (developing countries). For products covered by the tariffication process, current and minimum market access opportunities are generally provided through tariff quotas. Exports up to those levels are subject to much lower tariffs, while much higher tariffs resulting from tariffication apply to above-quotas units. Because above-quota tariffs tend to be prohibitive in many cases, in such cases the real market access opportunities created may reside mainly in the lowering of within-quota tariffs.

76. There is reason to believe that Uruguay Round liberalization will have several effects, including higher prices for affected agricultural products and an associated shift in production. In addition, the reduction in export subsidies will raise the prices paid by importers. Another effect of the Agreement on Agriculture will be that surplus stocks will decrease as subsidies are reduced, which could limit the volume of food aid. In order to mitigate those effects on least developed and net food-importing developing countries the Ministerial Decision on that issue envisages offsetting measures, such as additional food aid, technical assistance to raise agricultural productivity and short-term assistance to finance commercial food imports.

Table 4. Summary of the main provisions of the Uruguay Round Agreement on Agriculture

Policy	Developed countries	Developing countries
Market access	Prohibition of import restrictions other than tariffs. All tariffs bound. Special safeguard provisions against import surges or persistent import price decline (limited to "tariffied" products and not applicable to imports under related tariff quota commitments). Tariffs resulting from conversion of non-tariff border measures under negotiating modalities plus pre-existing tariffs on all other agricultural products to be reduced. Implementation of current and minimum access opportunity commitments in respect of tariffied products	
	Average tariff reduction of 36 per cent (minimum 15 per cent) over 6 years	Average tariff reduction of 24 per cent (minimum 10 per cent) over 10 years. Least developed countries are not required to undertake reductions
Export subsidies	Export subsidies subject to reduction are defined. Provisions for prevention of circumvention of commitments, including disciplines on the use of export credit and credit guarantees as well as food aid. Prohibition of the use of export subsidies on products not subject to reduction commitments	
	Volume of exports benefiting down by 21 per cent; expenditure on subsidies by 36 per cent; implementation on a product-specific basis; for incorporated/processed products only the expenditure reduction; all over six years	Two thirds of the reduction required for developing countries over 10 years; certain marketing and transport subsidies allowed during implementation period
Export prohibitions and restrictions	Foodstuffs: requirement for advance notice and obligation to consult on, request and provide information	
		Only applicable for net exporters of foodstuff concerned
Domestic support	Two groups: (i) permitted policies (Green Box), such as general services to agriculture, food security stocks, and domestic food aid; (ii) other policies included in the Aggregate Measure of Support (AMS) are subject to reduction commitments. Decoupled direct payments associated with production limiting programmes that are not in Green Box but excluded from AMS	
	De minimis provision allows exclusion from AMS if support is less than 5 per cent of output value. Total AMS support to be reduced by 20 per cent over 6 years	Some policies, such as investment and input subsidies, allowed under certain conditions. De minimis provision allows exclusion from AMS if support is less than 10 per cent of output value. Total AMS support to be reduced by 13.3 per cent over 10 years
Sanitary and phytosanitary measures	Reaffirms the right of countries to set their own health and safety standards provided they are justifiable on scientific grounds and do not result in unjustified or unnecessary barriers to trade. International standards are encouraged	
Other policies	Decision on Measures Concerning the Possible Negative Effects of Reform Programme on Least-Developed and Net Food-Importing Developing Countries	

Source: FAO, Food and International Trade (Rome, 1996).

C. Effect of the Agreement on global production of and trade in food and agricultural products

77. Studies attempting to quantify the impact of the Uruguay Round have yielded varying and not always compatible estimates. The complexity of the reform package, the options for implementation and the uncertainty about the timing of the implementation in some cases make it very difficult to assess the effects. Some studies have therefore concentrated on implementation issues and the interpretation of the Agreement on Agriculture. 7/ The biggest impact of the Uruguay Round is expected to come from the reduction of export subsidies, but even so it is more likely that budget constraints are the real driving force behind the reduction rather than a commitment to liberalizing world trade.

78. Nevertheless, quantitative studies suggest a number of outcomes. First, world prices for agricultural commodities, especially temperate zone products, will increase, although it is unclear by how much. Second, the Agreement will not by itself raise the volume of trade significantly. Third, there will be shifts in production from subsidized production to competitive production, from which developing countries could benefit. Fourth, the gains will initially be concentrated in those countries that have the capacity to respond. Finally, when taking all effects into account, including effects on imports and loss of preferences, the net trade gains in the agricultural sector of some of the economically weaker developing countries are likely to be very small or even negative.

79. The impact of the Uruguay Round on selected agricultural commodities for different regions has been analysed by FAO, using its World Food Model (FAO, 1995). Table 5 presents an overview of the projected impact on prices, production and consumption in the year 2000. Aggregate output for agricultural commodities is projected to grow at 1.6 per cent per annum from 1988 to 2000 in the baseline scenario, and that growth rate remains the same under the Uruguay Round scenario, which is not very surprising since only a small part of production is traded. The overall growth of production is projected to decrease slightly. Decreases in growth rates are greatest for products with high domestic support, such as rice, meat other than bovine, dairy products, coffee and cocoa. By contrast, increases in growth rates are expected for tea and bananas. In absolute terms, the changes in global production levels in the year 2000 due to the Uruguay Round are generally small, exceeding three million tons only in the case of coarse grains.

80. Consumption growth is also expected to slow down a little, especially in the least developed and food deficit countries. Allowing for an average population growth of 1.7 per cent, global per caput consumption is expected to decrease for dairy products, grains, beef and coffee, while per caput consumption of vegetable oils, some meat, tea, bananas, cocoa and rubber should rise.

81. Looking at commodities that account for 60 per cent of the total value of world agricultural trade, the FAO study concludes that the slow-down in growth of trade in agricultural commodities will not be reversed by the Uruguay Round, despite the fact that the effect on growth in trade will be positive, especially for trade in rice, bovine meat, and fats and oils.

Table 5. Projected change in agricultural prices, production and consumption in the year 2000 resulting from the Uruguay Round Agreement on Agriculture

(Thousands of tons)

Commodities	Global			Developing countries		Developed countries	
	Prices a/	Production	Consumption	Production	Consumption	Production	Consumption
Wheat	7	-1 538	-1 781	5 143	-1 578	-6 727	-203
Rice	7	638	013	1 657	662	-974	-49
Coarse grains	5	3 423	1 928	804	-230	2 618	2 158
Fats and oils	4	1 067	1 038	1 010	574	57	464
Oil-meal	--	516	500	565	471	-50	29
Bovine meat	8	164	167	-249	-195	413	362
Pig meat	10	-1 567	-1 484	-739	-590	-828	-894
Ovine meat	10	-36	-36	-25	-46	-11	10
Poultry meat	8	-36	-37	-8	104	-28	-141
Milk	7	371	413	439	-951	-67	1 364
Butter	7	-73	11	-103	28	30	-17
Coffee, cocoa, tea	--	155	186	155	80	0	106
Sugar	--	1 081	1 058	629	739	452	319
Bananas	--	-1 092	-603	-1 034	-145	-58	-458

Source: FAO World Food Model.

Note: A minus sign (-) indicates a deficit or decrease; a dash (--) indicates that the amount is nil or negligible.

a/ Percentage change.

82. Developed country exports of wheat are expected to decrease and imports to increase, which should push wheat prices up by 6 to 7 per cent in the year 2000 due to the Uruguay Round and encourage developing countries to produce more grains for their own requirements. The Uruguay Round is expected to have a significant influence on the rice market because of the reduction of subsidized rice exports by developed countries and the opening of previously closed markets for rice: the volume of global trade is expected to increase by 1.2 million tons and international rice prices to increase by 4 to 7 per cent. Both imports and exports of coarse grains are expected to increase slightly in both developed and developing regions as a result of the Uruguay Round. Although the expected increase in the overall volume of trade is slight, coarse grain prices are expected to rise by between 4 and 7 per cent. In oils, the Uruguay Round is expected to lead to increased import demand in developing countries, particularly in the Far East, including China. That demand will be met largely by the low-cost producing countries of the Far East and Latin America. Oil-meal trade and prices are expected to be little affected. The Uruguay Round is projected to induce a minor rise in the volume of overall meat trade. It should stimulate an increase in imports by countries in the Far East, North America,

Eastern Europe and the countries of the former USSR, as well as Japan, while improved market access should mainly benefit countries in Latin America, North America and Oceania. Partly because of the commitments to reduce subsidized exports, FAO projects a boost in international meat prices on the order of 8 to 10 per cent, although the projected increase is significantly lower in the World Bank/OECD model (3 to 6 per cent). Overall milk trade is not expected to change significantly as a result of the Agreement, although there will be some redistribution of trade flows in terms of regional origin and destination. The reduced volume of subsidized exports permitted to several developed countries will be offset by increased exports from Oceania, while imports into developed countries could rise as a result of the minimum access provisions of the Agreement. An overall boost in milk prices of 7 to 10 per cent is projected.

83. Table 6 details agricultural trade balances, as projected by FAO with and without the Uruguay Round. The effects that can be attributed to the Uruguay Round are rather small. Developed countries can expect to continue to see both import and export growth rates decline relative to the 1980s, albeit at a slightly slower pace. Growth rates of imports and exports of developing countries were on average 2.3 an 2.8 per cent from 1978-1988. For 1988-2000, they were both projected to be on average 1.0 per cent, but the Uruguay Round will increase that to on average 1.7 and 1.6 per cent, respectively. In particular, trade in temperate zone products will be negatively affected, although the developed countries will remain large net exporters of those products.

84. For developing countries, the growth rates of imports and exports from 1977-1987 were on average 5.5 and 4.6, respectively; they were projected for the 1988-2000 period to be on average 3.3 and 2.8, respectively. However, taking the effects of the Uruguay Round into account, projections are for growth rates of 3.9 and 3.4 per cent, respectively.

85. Developing countries' import growth is expected to decline for cereals, the oilseed sector, dairy, some meat and tropical fruit, and to increase for bovine meat and bananas. Exports are expected to expand more rapidly, particularly for rice, coarse grains, dairy, tea, sugar and bananas. The net surplus that developing countries as a group have had in the past is therefore likely to endure.

86. Regional differences also turn out to be small, as indicated in table 6. Africa sees its deficit decrease as an effect of the Uruguay Round, while Latin America and Caribbean, and the Far East see their export surpluses grow, and the developed countries and the Near East see their deficits grow. However, there will be gainers and losers with respect to each commodity.

Table 6. Trade balances of selected agricultural commodities, past and projected

(Billions of United States dollars, free on broad)

	Actual (1987-1989)	Baseline (2000)	Uruguay Round (2000)
World			
Imports	275.5	334.6	362.0
Exports	280.4	340.4	366.2
Developed countries			
Imports	208.7	236.4	256.3
Exports	198.5	223.1	240.0
Developing countries			
Imports	66.8	98.2	105.7
Exports	81.8	114.3	122.6
Africa			
Imports	8.4	13.9	14.9
Exports	9.4	12.4	13.5
Latin America and the Caribbean			
Imports	10.5	15.9	16.8
Exports	30.9	42.3	45.6
Near East			
Imports	17.8	25.5	27.1
Exports	6.5	7.7	8.2
Far East			
Imports	30.1	42.9	46.9
Exports	35.0	51.9	55.3

Source: FAO, Impact of the Uruguay Round on the Agriculture, Commodity and Trade Division (Rome, 1995).

D. Effect on agro-industry and international markets for agricultural and tropical products

87. The main source of growth in agricultural exports of developing countries may come not from their traditional export commodities but increasingly from non-traditional commodities, processed products and expansion into new markets. Those gains from diversification could materialize in several ways. First, geographically - by expanding into new import markets. Second, horizontally - by increasing the number of commodities exported. Thirdly, by vertical expansion - increasing the value added of exports. With respect to vertical diversification, a reduction of tariff escalation as a result of the Uruguay Round may be important.

88. The problem of tariff escalation is that importing countries often put a higher tariff on processed products than on raw materials, which is obviously intended as an incentive to import raw materials rather than processed ones, thus depriving countries that export raw materials of the chance to increase value added on their primary products. To illustrate that problem, tables 7 and 8 provide data on the share of processed agricultural products in total agricultural exports. Table 7 includes primary processing, while table 8 excludes products in that category.

89. As will be noticed, the share of processed products in overall agricultural exports is relatively high for developed countries and low for least developed countries. More importantly, the situation is deteriorating for least developed countries in absolute terms, while the share increases more rapidly for developed than for developing countries, thus widening the gap. When abstracting from primary processing, the differences between developed and developing countries increases. The least developed countries have a low but constant share of processed products.

90. A number of studies have analysed the extent to which tariff escalation on agricultural products has been reduced by the Uruguay Round. One study finds that in most cases the tariff wedge, i.e., the absolute difference in nominal tariffs between the output and the input commodity, will be reduced as a result of the Uruguay Round. That is not surprising, given the minimum decrease of 15 per cent per tariff line. However, for a number of commodity pairs high levels of tariff escalation will still remain or even increase. It should be noted that the change in the size of the wedge may not determine the opportunities for vertical integration in exporting countries. Even though reduced tariffs on processed products may remain prohibitively high, reduced tariffs on raw materials could stimulate exports. The overall effect on shares of processed products in total exports will then be negative, although the reductions would be valued as positive.

Table 7. Share of processed agricultural exports in total agricultural exports

(Percentage)

	1964	1974	1984	1994	Change 1964-1994
Developed	48.8	52.2	55.6	67.3	38.0
Developing	41.7	51.2	46.3	54.1	29.7
Least developed countries	27.0	24.4	18.0	16.9	-37.2

Table 8. Share of advanced processed agricultural exports in total agricultural exports

(Percentage)

	1964	1974	1984	1994	Change 1964-1994
Developed	18.6	20.9	22.4	67.3	74.7
Developing	8.4	9.8	9.8	16.6	97.2
Least developed countries	5.1	5.9	4.6	5.0	-2.4

Preferential trade

91. One of the side-effects of the Uruguay Round will be the erosion of preferential trade margins. The reduction in standard tariff rates, combined with unchanged rates under the various tariff preference schemes, reduces the preference margin. As indicated by a recent study (see table 9), in 1992 the value of agricultural imports under preferential schemes into the United States of America, the European Community and Japan was $15.6 billion, of which 63 per cent pertained to the European Community, 27 per cent to the United States and 10 per cent to Japan. Expressed as a percentage of total agricultural imports, that amounted to 9 per cent for the European Community, 6 per cent for the United States and 2 per cent for Japan. The potential value of preferences granted in 1992 was estimated at US$ 1,853 million, or 12 per cent of the total value of preferential trade. Of that total, 73 per cent was accounted for by the European Community, and about 14 per cent each by the United States and Japan. Africa's share was the highest (36 per cent) followed by South America (23 per cent), Central America and the Caribbean (16 per cent), the Far East (15 per cent), Oceania (5 per cent) and the Near East (3 per cent).

Table 9. Value of preferential margins, by region

(Millions of United States dollars)

Region	Value of preferential trade in 1992	Value of preferential margin in 1992	Value of preferential margin after the Uruguay Round
Africa	4 270	675	509
Far East	3 409	285	105
Near East	1 091	49	23
Central America and the Caribbean	1 997	303	245
South America	4 266	432	246
Oceania	320	90	84
Europe	245	19	8
Total	15 599	1 853	1 221

Source: Yamazaki (1996).

92. The total reduction of potential benefits due to the Uruguay Round is estimated at US$ 634 million, which is equivalent to 34 per cent of pre-Uruguay Round benefits. Table 9 indicates that as a percentage of their pre-Uruguay Round benefits, the Far East loses most (63 per cent), followed by the Near East (51 per cent), South America (43 per cent) and Africa (25 per cent). Those estimates do not take into account the Uruguay Round effects on prices and trade volumes. Nor was growth over the implementation period taken into account, which was estimated to increase the loss by 10 per cent. In addition, the effect of the Uruguay Round on prices and volumes will also decrease the volume of preferential trade, thus further increasing the losses.

E. Effect on global food security

93. Food security can be defined as a situation in which all households have both physical and economic access to adequate food for all members and are not at risk of losing that access. Food security at a national level often implicitly assumes that the domestic distribution of food supports food security. There are two options for achieving food security at the national level: self-sufficiency and self-reliance. Food self-sufficiency means meeting food needs from domestic supplies. Self-reliance takes international trade into account, and implies the capacity to import from the world market as needed; trade is thus an essential part of food security based on self-reliance. But food security based on trade also incorporates risks, related to deteriorating

terms of exchange on world markets, the uncertainty of supplies, price instability and dependence.

94. Global food security is the sum of the food security of individual nations, rather than a sufficient amount of food to feed the world population. Distributional aspects are often far more important than absolute quantities. It is useful to view food security as the combination of three elements: (a) food availability, (b) the reliability of food supplies and (c) access to food for all.

95. The relationship between global food availability and national food security is complex. Under the Uruguay Round Agreement on Agriculture, subsidized production in developing countries above de minimis levels are to be reduced. Also, as already mentioned, the Uruguay Round is not expected to increase the volume of global food production, although there will be shifts in allocation. Some importing developing countries have benefited from cheap food imports generated by pre-reform market conditions. However, for a large number of developing countries, that situation may have had perverse effects. It has led to dependence on imported foodstuffs because many farmers in developing countries could not compete with artificially low world market prices. The situation has been exacerbated by the fact that many developing countries also kept domestic food prices low by taxing agricultural exports directly as well as indirectly by overvalued exchange rates. 8/ Thus, the reduction of world market distortions could induce some developing countries to produce more food for themselves and depend less on imports. It is important, however, that farmers be given the opportunity to respond to the new market opportunities. For that to happen, a change in agricultural policy is often warranted.

96. While the risks with respect to stability of supplies becomes smaller as markets become more competitive, there could be an accompanied increase in price instability. Many developing countries fear that reliance on the world market will increase domestic price instability, with adverse effects on the food security of the poor. Four influences need to be taken into account in assessing the effect of the Uruguay Round on price stability. First, the reduction of tariffs will increase the absorption of production shocks, which is a stabilizing effect. Second, an uncertain effect stems from allocative shifts in production. As production shifts from high-level-of-protection countries to low-level-of-protection countries, it is unclear whether production in the latter countries will become more or less stable as a result. Third, there will be a reduction in the levels of stocks, mainly of major staple foods, which will have a destabilizing effect. Governments have reduced their stocks, and with the reduction in price support programmes will continue to do so. As Governments reduce their stocks, the private sector will not fully replace them. For grains, FAO has estimated that replacement will be well under 50 per cent (FAO, 1990). Fourth, stocks will become more responsive to price signals, the effect of which on price stability is uncertain, because of speculative behaviour. The net overall effect of those four influences on price stability is thus difficult to determine.

97. The relation between price instability and food security should be seen from the perspective of consumers, producers and Governments. Evidently, the poor urban population in developing countries that consists of net food buyers

will be quickly pushed into hunger as a result of price spikes. For all countries that rely on food imports - but particularly the poorest countries - an important aspect of the evaluation of trading regime changes for food security is their likely impact on world market instability. Even if price instability does not increase, the chances of price spikes occurring will probably be greater than in the past because global stocks will be reduced. Instability in income can also lead to less food security. A sudden collapse in the purchasing power of export commodities can thus put a country's food security at risk. For those reasons, countries often maintain a higher level of food self-sufficiency than might otherwise be warranted as insurance against unexpected fluctuations in import purchasing power.

98. The third element of food security is access, which will depend to a large extent on income. There are important differences in expected changes in the trade balance of basic food commodities, in particular how food import bills would be affected by the Uruguay Round in view of projected price increases. As shown in table 10, those increases are expected to be substantial. For the developing countries as a whole, their food import bill is projected to be nearly US$ 25 billion higher in the year 2000 than it was in 1988, an annual increase of about 4 per cent, about US$ 3.6 billion (15 per cent) which will be due to the Uruguay Round. The food import bill of the low-income food-deficit countries is expected to increase by nearly US$ 10 billion, of which 14 per cent, or US$ 1.4 billion, will be due to higher prices as an effect of the Uruguay Round.

99. The ability to pay for higher food import bills depends on the ability to increase export earnings. As can be seen in table 5, the agricultural trade balance of developing countries is projected to improve by some US$ 1.9 billion, of which 0.8 will be due to the Uruguay Round, so that there seem to be in the aggregate some offsetting income gains. However, that improvement in export earnings will not be shared equally among developing countries. Countries that have little capacity to respond to increased opportunities perform less. Among the developing regions, Africa is most problematic: per caput food availability is already low and other sectors are not likely to compensate for the poor export prospects in agriculture. In addition, in regions that are projected to perform better, there are countries, especially among the low-income food-deficit countries, that would face difficulties in paying for their food imports. Country-specific studies are required to assess those problems and decide on compensatory transfers or assistance.

100. In general, developing countries will benefit from the Uruguay Round. Provided domestic policies are in place to spread around the gains and compensate the losers, trade liberalization can contribute to improving food security. The difficulties that developing countries may face during the reform process have been recognized. Those countries were provided with special and differential treatment, mainly in the form of longer periods to adjust. Where countries are confronted with negative effects in terms of the availability of adequate supplies of basic foodstuffs during the reform process, the provisions of the Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least Developed and Net Food-Importing Developing Countries 6/ could provide a safety net.

Table 10. Food bills of developing countries and low-income food-deficit countries, past and projected

(Billions of United States dollars)

	No. of countries	Actual (1987-1988)	Projected (2000)	Size of increase	Of which Uruguay Round effect (percentage)
World					
All developing countries	137	40.0	64.7	24.7	3.6 (15)
LIFD countries	72	17.8	27.6	9.8	1.4 (14)
Africa					
All developing countries	52	6.0	10.5	4.5	0.5 (11)
LIFD countries	43	3.5	6.3	2.8	0.2 (7)
Latin America and the Caribbean					
All developing countries	46	8.0	12.7	4.7	0.3 (6)
LIFD countries	10	1.6	2.4	0.8	0.1 (12)
Near East					
All developing countries	19	11.5	16.8	5.3	0.8 (15)
LIFD countries	6	3.7	4.7	1.0	0.1 (10)
Far East					
All developing countries	20	-4.5	24.7	10.2	2.0 (20)
LIFD countries	13	9.0	14.2	5.2	1.0 (19)

Note. Food comprises cereals, oilseeds and products, meat, and dairy products LIFDs are net cereal importing countries with a per caput income less than the cut-off point defined by the World Bank for IDA eligibility.

Source: J. Greenfield, M. de Nigris and P. Konandreas, "The Uruguay Round Agreement on Agriculture: food security implications for developing countries", Food Policy, vol. 21, No. 4/5 (August 1996).

F. Agricultural policy adjustment

101. Improvements in developing countries' agricultural output and export performance depend on many factors, including improvements in infrastructure (transport systems, energy networks, irrigation etc.); education and training; dissemination of knowledge about appropriate (new) production technologies and product varieties; pest and disease control systems; quality management; and reforms of the domestic regulatory system, including the agricultural price system, the distribution system and land reform. Better market access abroad and better trade and trade-related policies at home are also important: they can help to raise agricultural (and other sectors') productivity, income and employment, and at least indirectly help to overcome the wider impediments to economic development and food security in developing countries, including by making those countries more attractive for, and increasing the efficiency of, foreign direct investment (through the transfer of capital, skills, technology and marketing channels), official aid and technical assistance.

102. While direct subsidization of production will be increasingly limited and the use of quantitative restraints on imports is prohibited, there are no restraints on the use of public investment measures for agricultural and rural development purposes. Investment and input subsidies, both frequently used measures in developing countries to promote increased production, continue to be permitted to developing countries under the Uruguay Round Agreement.

103. In many developing countries, reforms undertaken within the framework of structural adjustment programmes go well beyond the adjustments countries are required to make under the Uruguay Round. Structural adjustment programmes usually require greater reductions in border protection than are required under the Uruguay Round. Input subsidies and consumer food subsidy programmes, permitted under the Uruguay Round, must often be cut back under structural adjustment programmes, which usually require currency devaluation and institutional reforms as well, areas not covered by the Uruguay Round.

104. The indirect effects on agricultural production incentives of industrial sector protection, exchange-rate overvaluation, government procurement and export taxation are often more important than the direct effects of sectoral policies, such as input subsidies. One study (Krueger, Schiff and Valdés, 1988) shows that in many developing countries those indirect effects dominate direct policy effects. Generally, however, the Uruguay Round underpins the reforms undertaken by developing countries, and provides some assurance of increased market access in return for the risks that they have taken or will take in opening up their markets to trade.

105. Under the Uruguay Round Agreement, there are significant possibilities for consumption support policies and policies to reduce the impact of world market fluctuations. Domestic food aid, for example, is included under the Green Box measures, and direct price support is still feasible under the de minimis provision. To reduce the effect of market instability, there are the special safeguard conditions, the sliding scale of tariffs option, the allowed food security stocks and the allowed export limitations. However, budgetary constraints are likely to limit those policy options.

106. Although the Uruguay Round does not itself address that budgetary problem shared by many developing countries, it does contain a commitment not to aggravate it in the Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least Developed and Net Food-Importing Developing Countries. The promise is that if food import prices rise because of the Uruguay Round, net food-importing developing countries and the least developed countries could be eligible for increased food aid, financial support to maintain normal food imports, technical support to raise agricultural productivity, and eventually favourable treatment on agricultural export credits. Such aid could help those countries to mitigate the effect on consumer price increases, while allowing producer prices to rise.

107. The interpretation of the Decision raises a number of questions related to its implementation. It is not clear how food is defined. In addition, the basis (trigger) for compensation is not clear. It is also not clear how the effect of the Uruguay Round can be determined. Most importantly, however, is the question of the mechanisms (bilateral, multilateral) for, and automaticity of, compensation.

108. Food aid is the most direct option. In principle, the Uruguay Round will reduce the existence of surpluses in donor countries to which food aid has been closely linked. However, as Hathaway and Ingco (1995) argue, since the agreement puts specific limits on the use of export subsidies, food aid will remain the only legitimate method of moving excess supplies into the world. Thus, if donor countries continue to use output expanding subsidies in the face of limits on export subsidies, the Agreement may encourage rather than limit food aid.

109. A more structural solution means of support would be to increase agricultural productivity and strengthen infrastructure. If price increases are passed on to producers and supply can be made more elastic by technical support and improvement of infrastructure, then import needs will be reduced. Financial support by means of cheap loans, such as those offered by the IMF facility for cereals, or a grant raises a lot of considerations to make sure that the finance is used for food imports.

110. The Uruguay Round has many implications for national and international agricultural policy, some of which the World Food Summit will undoubtedly address. Re-examination of agricultural policies are required in the following areas: (a) higher food prices may call for changes in national food security and nutrition enhancement policies, including consumer price policies for food; (b) despite better incentives to producers, most developing countries will need to evolve targeted and decoupled (Green Box) forms of assistance; (c) tariffication, and thus elimination of non-tariff barriers, may lead to greater domestic price instability, which may in turn lead to reconsideration of producer price policies and measures to prevent excessive instability; (d) some countries have to increase domestic food production and productivity to enhance food security in harmony with their comparative advantages; (e) increased transparency after the elimination of non-tariff barriers may lead to increased intraregional or subregional trade agreements; (f) export promotion policies may be considered to benefit from new market opportunities; (g) further promotion of diversification and primary processing is called for, which requires avoidance

of tariff escalation and targeted tariff reduction in areas of potential growth. In addition, technical assistance will often be required.

G. Conclusion

111. Food trade is vital to world food security. Without trade, countries would have to rely exclusively on their own production. International trade influences food security in several ways. In the first place, trade allows food consumption to exceed food production in countries in which output is constrained. Resorting to imports generally allows food consumption needs to be met more cheaply than by relying on domestic production alone. While there can be specific reasons for some countries to aim at substantial food self-sufficiency, in general it makes better economic sense to follow a more flexible policy of food self-reliance, provided importers can rely on the world market as a dependable and efficient source of supply and exporters have a good market for their products. Particular concerns for importing countries are whether imports will be available when needed and the possible risk of trade embargoes.

112. Trade liberalization as reflected in the Uruguay Round of multilateral trade negotiations is not likely to affect significantly the global availability of food because reduced output in high-cost countries will be generally replaced by increased output in other countries. In view of the likely change in the medium term in favour of food commodities' relative prices, countries may wish to revise their agricultural policies and consider passing on some of the increase in world prices to their domestic sectors so as to stimulate food production. The effect of trade liberalization on the stability of world food prices is uncertain. The impact of trade on household food security is part of a wider issue concerning the impact of economic growth and transformation on welfare and its distribution. Trade provides opportunities for specialization and growth, but the extent to which poor households can take advantage of such opportunities depends on their access to resources and jobs, which depends in turn on the institutional environment and the supportive role of the State.

113. Provided domestic policies are in place to spread around the gains and/or to compensate the losers, then trade liberalization can play an important role in improving food security even though there may be problems of adjustment to the new trade regime. The difficulties that countries may face during the reform process have been recognized and developing countries have been given special and differential treatment, mainly in the form of granting them longer periods to make adjustments and lower reduction commitments. The Uruguay Round accords also recognize that during the process of reform, the least developed and net food-importing countries may experience negative effects in terms of the availability of adequate imported supplies of basic foodstuffs on reasonable terms and conditions. Accordingly, great importance is attached to making sure that the Uruguay Round Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries is implemented rapidly. The Uruguay Round may not make much difference to the volume of food aid, because, while the amount linked to surplus disposal may decline, the quantities linked to assistance under the above-mentioned Decision may well be increased. The Uruguay Round has many

implications for national and international agricultural policy, which need to be studied further to identify appropriate policy responses at both levels.

Notes

1/ Oxford University Press for Habitat, 1996.

2/ At its second session, in 1994, the Commission on Sustainable Development urged relevant United Nations bodies to strengthen their efforts to produce a comprehensive assessment of freshwater resources. Participating United Nations bodies include the Department for Policy Coordination and Sustainable Development of the United Nations Secretariat, FAO, UNEP, UNESCO, UNDP, UNIDO, WHO and the World Bank. The activity is coordinated jointly by the ACC Subcommittee on Water Resources and the Stockholm Environment Institute of the Government of Sweden; it is currently ongoing and the resulting report will be presented to Governments at the fifth session of the Commission and at the fifty-second session of the General Assembly, in 1997.

3/ Among a number of technical background papers prepared for the Summit, FAO has prepared one entitled "Food production: the critical role of water".

4/ Report of the United Nations Conference on Environment and Development, Rio de Janeiro, 3-14 June 1992, vol. I, Resolutions Adopted by the Conference (United Nations publication, Sales No. E.93.I.8 and corrigendum), resolution 1, annex II.

5/ Washington, D.C., World Bank, 1993.

6/ See The Results of the Uruguay Round of Multilateral Trade Negotiations: The Legal Texts (Geneva, GATT secretariat, 1994).

7/ D. E. Hathaway and M. D. Inglo, "Agricultural liberalization and the Uruguay Round", in World Bnak, "The Uruguay Round and the developing countries", W. Martin and L. A. Winters, eds., World Bank Discussion Paper, No. 307 (Washington, D.C., 1995).

8/ A. Krueger, M. Schiff and A. Valdés, "Agricultural incentives in developing countries: measuring the effect of sectoral and economy-wide policies", World Bank Economic Review, vol. 2, No. 3 (September 1988).

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Report of the Secretary-General on the activities of the Office of Internal Oversight Services

Note by the Secretary-General

1. In conformity with paragraph 5 (e) (ii) of General Assembly resolution 48/218 B of 29 July 1994, the Secretary-General transmits herewith to the Assembly as submitted the second annual report of the Office of Internal Oversight Services, covering activities for the period from 1 July 1995 to 30 June 1996 (see annex).

2. The Secretary-General is satisfied that definite progress has been made in the past two years in meeting the objectives of General Assembly resolution 48/218 B.

3. The strengthening of the monitoring, internal audit, inspection and evaluation, and investigation functions provided for in the resolution is an important and integral part of the Secretary-General's management plan, as outlined in his current and his previous annual reports on the work of the Organization, and is all the more essential at a time of major resource constraints.

4. The Office of Internal Oversight Services is also increasingly making, in the exercise of these functions, a distinct contribution to the overall management and organizational reform effort, coordinated by the Department of Administration and Management. Continuing close collaboration between the Office and that Department is important to maximize the coherence and impact of this effort, and also to avoid duplication in demands for reporting by senior programme managers, at a time of growing pressure on programmes resulting from budgetary and financial constraints. The ongoing efforts of the Office of Internal Oversight Services referred to in the report to cooperate and coordinate its programme with other oversight bodies, including the Board of External Auditors and the Joint Inspection Unit, will also be helpful in this regard and in ensuring the full cooperation and contribution of all programme managers.

5. The Secretary-General will continue to support the effective exercise by the Office of Internal Oversight Services of its functions, in full compliance with the modes of operation established by the General Assembly in its resolution 48/218 B.

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Annex

Report of the Office of Internal Oversight Services

for the period
from 1 July 1995 to
30 June 1996

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Preface

by the Under-Secretary-General for Internal Oversight Services

This is the second comprehensive report on the activities of the Office of Internal Oversight Services (OIOS) and the first one to cover an entire year, the period between 1 July 1995 and 30 June 1996. The Office has now been in existence for some 20 months, so an assessment of how it works and what its impact is can be more substantive than last year.

I submit that, all things considered, OIOS is now fulfilling fairly well the expectations that were spelled out by the General Assembly in its resolution 48/218 B, although we are still hampered by limited resources and continue to experience some acceptance difficulties within the Organization.

For the budget biennium 1996-1997, OIOS was recognized as a priority and obtained a moderate, but significant increase in posts and funds. Unfortunately, because of the second round of budget cuts mandated by General Assembly resolution 50/215 of 23 December 1995, from which OIOS could not exempt itself, we were unable to fill most of these posts expeditiously and will have to live with numerous vacancies throughout the biennium. Nevertheless, we have in the meantime strengthened the Investigation Section, the number one priority in my staffing policy. To provide the United Nations with effective oversight in all of its worldwide activities, we will need to increase the OIOS travel funds significantly and I will also request some additional funds for the audit and investigation functions against the budget for the biennium 1998-1999.

At the beginning of 1996, OIOS started to set up its own administrative functions. A Professional post (P-4) was redeployed within OIOS for the Administrative Officer (this redeployment was reflected in the programme budget for the biennium 1996-1997), and recruitment of General Service support personnel is in process. Once the Office has completely assumed its administrative functions, the resources needed to perform them will be closely monitored. It may be that additional resources will be required as the Office grows, in particular to handle the travel of staff associated with audits and investigations.

To get OIOS accepted in the Organization as a genuine component of the management culture has not been an easy task and will probably remain a challenge for another few years.

As I observed in my first report, an organization that has lived without independent and effective internal oversight for decades still has to get used to outspoken criticism, all the more so in documents that reach the General Assembly. Managers who look forward to an inspection as an opportunity to reflect upon, question and possibly improve the procedures and routines of their area of responsibility are not more common here than anywhere else. Quite frequently, an audit or an evaluation is considered a nuisance, at least an unwelcome burden, causing additional work. OIOS has been confronted during the reporting period with some attempts to slow down, stall or discredit our work. Patience and perseverance are required to overcome such obstacles, but I believe in habituation.

It has also been more time-consuming and difficult than I initially thought to reach an Organization-wide understanding on the question of access to files and people for the OIOS investigators, auditors, evaluators and inspectors. The same difficulty was encountered when hammering out an agreement on terms of reference for the Investigation Section, an indispensable prerequisite for our efforts to establish transparent procedures and to guarantee due process for everyone involved in OIOS investigative activities. By information circular ST/IC/1996/29 of 25 April 1996, eventually this important exercise came to fruition.

During this reporting period, I have personally spent considerable time trying to define the role of OIOS vis-à-vis the separately administered operational funds and

programmes, a subject on which a report by the Secretary-General to the General Assembly is currently being prepared. This is another major step in our ongoing endeavour to provide adequate oversight for the Organization.

I have also, upon the request of the Secretary-General, conducted a number of ad hoc managerial reviews myself, the results of which I related directly to him. In December 1995, I reviewed UNRWA, where the post of Commissioner-General was about to change hands. In May 1996, I reviewed the United Nations operations in Zagreb, Vukovar and Sarajevo.

Working weeks at Geneva and Vienna have been a regular part of my own agenda, focusing on the various activities in those duty stations, following up on earlier OIOS findings or addressing topical problems. A similar visit to Nairobi is scheduled for the second half of 1996.

As the present report will show, progress is being made in the implementation of OIOS recommendations. The more systematic approach to that part of our work, supported by a tailor-made electronic data-processing database, is producing its first encouraging improvements. The fact that the Secretary-General has supported OIOS recommendations without exception has sent a strong message to the Organization.

OIOS has continued its efforts to cooperate and coordinate with the Board of (external) Auditors and with the Joint Inspection Unit.

With the Board of Auditors, we hold regular meetings during which we compare notes and exchange experiences; we are also committed to harmonizing our future annual workplans in order to avoid, if possible, internal and external audits following each other too closely. By the way, OIOS was the object of a thorough audit by the Board of Auditors during this reporting period. We made it a point to be good, cooperative auditees and indeed benefited greatly from the scrutiny by and the discussion with our colleagues.

Regarding the Joint Inspection Unit, OIOS attempts to respond in a useful way when the Inspectors solicit proposals for future Joint Inspection Unit inspection projects. We also work with them on specific assignments where we are looking at the same subject, but where our different purviews can result in synergy rather than duplication. The current comprehensive auditing review of the outsourcing practices of the Organization, mandated to OIOS by the General Assembly, is a good case in point, since the Joint Inspection Unit can look at similar practices in the specialized agencies.

My overall assessment after 20 months in office is that the creation of OIOS is one of the most meaningful initiatives taken by the General Assembly in the context of United Nations reform. The results of our work are part of this ongoing reform.

Incidentally, "reform" has become a buzzword that is echoed worldwide whenever public administrations are discussed these days. During the summit-level commemorative meeting on the occasion of the fiftieth anniversary of the United Nations, most world leaders called for United Nations reform to make the Organization fit for the next millennium. So, is there consensus among Member States about it? Probably not when it comes to specifics, to a redefinition of the priorities of the world body or to a rationalization and reshaping of the United Nations system. Nevertheless, overwhelming support can be safely assumed for an administrative, managerial reform of the Secretariat, and the Secretariat is engaged in intensive efforts to that end, such as the Efficiency Review and the Efficiency Board initiated by the Secretary-General, as well as various streamlining projects in several departments.

OIOS, because of the nature of the oversight function and its concomitant independence, cannot participate directly in these managerial activities, but will monitor their results.

I personally believe in reform as an ongoing process, a continuous striving for improvement, and I therefore welcome the growing awareness within the Organization for the need to change. Some of the fundamental shortcomings in the managerial reality of the United Nations that I listed in my first comprehensive report (A/50/459, annex) are more widely recognized today. Some of them are effectively tackled, others remain a problem.

I am confident that the current management training courses, which the Office of Human Resources Management organizes and which more and more Professionals in decision-making positions have gone through, will contribute to generating a high level of readiness for rethinking and reshaping the United Nations towards the year 2000. The fact that, in the meantime, heads of departments have participated in the course and the Secretary-General has involved himself personally in the exercise, something which I strongly recommended, makes me optimistic for the long-term effect of the programme on the Organization.

The work of OIOS will always be geared towards supporting this momentum. However, the effectiveness of OIOS and the impact of its work on the United Nations depend to a large degree on the active interest the legislative bodies take in it. OIOS will only be taken seriously by its clients in the Secretariat as a deterrent, as well as a proactive corporate element, if the results of its activities are taken seriously, and are seen to be taken seriously, by its board of directors, the Member States.

(Signed) Karl Th. Paschke
Under-Secretary-General
for Internal Oversight
Services

New York, 31 July 1996

I

General management of the Office of Internal Oversight Services

A. Introduction

1. The General Assembly, in its resolution 48/218 B of 29 July 1994, established the Office of Internal Oversight Services (OIOS), with the intention of enhancing oversight functions within the United Nations, in view of the increased importance, cost and complexity of the Organization's activities, through intensified evaluation, audit, inspection, investigation and compliance monitoring. The Assembly stressed the proactive and advisory role of the new Office and the expectation that it would give assistance and provide methodological support to programme managers in the effective discharge of their responsibilities. On 24 August 1994, by its decision 48/323, the Assembly approved the nomination of Mr. Karl Th. Paschke as Under-Secretary-General for Internal Oversight Services. He assumed his duties on 15 November 1994.

B. Monitoring implementation of the recommendations of the Office

2. Paragraph 28 of document ST/SGB/273 set out eight categories of information, listed as subparagraphs (a) to (h), to be included in OIOS annual reports. In terms of these eight subparagraphs, the information in the present report is as follows:

(a) and (b) A description of significant problems, abuses and deficiencies: see paragraphs 9-143;

(c) Recommendations not approved by the Secretary-General: none;

(d) and (e) Recommendations in previous reports on which corrective action has not been completed or where management revised a decision from a previous period: see appendix;

(f) and (g) Recommendations on which agreement could not be reached with management or where requested information or assistance was refused: there have been no such situations;

(h) The value of cost savings recommended and amounts recovered: see box after paragraph 8.

The concept that audit recommendations must be followed up until they are fully implemented was not an established part of the management culture of the United Nations prior to the creation of OIOS.

3. The concept that audit recommendations must be followed up until they are fully implemented was not an established part of the management culture of the United Nations prior to the creation of OIOS. Before the Office was established, an audit assignment, for example, was usually closed when all its recommendations were accepted by the programme manager concerned. Under the new mandate, however, both management and OIOS have to go one step further. Programme managers are required to implement final OIOS recommendations fully and to report quarterly on the status of implementation. OIOS, for its part, closely monitors implementation and reports regularly to the Secretary-General on its status. A growing number of programme managers are embracing this new concept and appreciate the sense of self-discipline and accountability it instills into their responsibilities. During the reporting period, OIOS has taken a number of steps, both internally and client-related, to promote the idea that the benefit of oversight is not in the recommendations made but in their effective implementation. Furthermore, measures have been taken to enhance monitoring mechanisms within departments and offices, and to facilitate and institutionalize reporting procedures.

4. To increase the capacity of management to follow up on OIOS recommendations, the Under-Secretary-General for Internal Oversight Services suggested to the Secretary-General that he advise heads of departments and offices to designate a reference person, reporting directly to the head, to assist in coordinating oversight-related activities. In particular, this person was to monitor the implementation of agreed recommendations, facilitate and coordinate the flow of oversight-related information within departments, prepare quarterly compliance reports to OIOS; and otherwise maintain liaison with OIOS. The Secretary-General immediately threw his weight behind the suggestion and instructed departments to designate their reference persons.

5. OIOS has also taken a number of steps internally in order to refine and rationalize its monitoring machinery. For example, in order to facilitate reference to individual recommendations during the monitoring process a recommendation code was introduced as at 1 January 1996.

6. As required by its mandate, OIOS reports to the Secretary-General on the status of implementation of its recommendations on a semi-annual basis. Three such reports were submitted to the Secretary-General since the last annual report (1 April-30 September 1995; 1 October-31 December 1995; 1 January-30 June 1996). Since the introduction of systematic monitoring by OIOS, some 4,000 audit recommendations have been issued. Of these, almost two thirds (62 per cent) have been fully implemented; the remaining third is in the process of being implemented. Eighty-four per cent of all recommendations issued during the first six-month period had been implemented by 30 June 1996. An analysis of implementation data presented in the second box after paragraph 8 below shows an increasingly timely response by programme managers to OIOS recommendations:

Six-month reporting period ending	*Proportion of recommendations originating in the reporting period that were implemented before its end (percentage)*
31 March 1995	15
30 September 1995	31
31 December 1995	36
30 June 1996	41

These rates can be considered one indicator of the impact of OIOS on the management culture of the United Nations. Even though these indicators are quantitative, a qualitative analysis of recommendations implemented or outstanding basically confirms this positive overall picture. OIOS continues to focus its efforts on further improving this trend, communicating the message to management that swift implementation of recommendations is critical.

OIOS continues to communicate the message to programme managers that swift implementation of recommendations is critical.

7. While the responses of our clients to OIOS calls for swift implementation of recommendations have varied, some departments doing better than others, the general trend is clearly upward, and OIOS has been encouraged by the fact that most departments and offices — some for the first time — have submitted their compliance reports for the second quarter of 1996 pursuant to paragraph 22 of ST/SGB/273.

C. Priorities

8. The first annual report of OIOS (A/50/459, annex) identified three priority areas for oversight: peacekeeping, humanitarian and related activities, and procurement. This year the problem of establishing new bodies has also been treated as a priority matter. The beginning of new operations and organizations is always risk-prone, but in a period of downsizing and financial stringency such initiatives are likely to be adopted by the international community to address only the most pressing of problems.

Cost savings and recoveries resulting from actions of the Office of Internal Oversight Services, 1 July 1995-30 June 1996

(Millions of United States dollars)

Nature of financial implication	*Amount identified and recommended*	*Savings and recoveries*
Recovery of overpayment	3.2	2.2
Prevention of overpayment	4.2	2.2
Expenditure reduction	0.8	0.6
Prevention of excessive or unjustified expenditure	3.3	4.0
Additional income	0.5	0.1
Budget reductions in 1996-1997 in conformity with OIOS recommendations	6.7	6.7
Total	**18.7**	**15.8**

Implementation rates for audit recommendations of the Office of Internal Oversight Services

Period covered	*Total number of recommendations*	*Implementation rate as at 31 March 1995*	*Implementation rate as at 30 September 1995*	*Implementation rate as at 31 December 1995*	*Implementation rate as at 30 June 1996*
		(Percentage)			
1 October 1994-31 March 1995	1 343	15	45	50	84
1 April-30 September 1995	1 057	—	31	37	58
1 October-31 December 1995[a]	480	—	—	36	59
1 January-30 June 1996	1 162	—	—	—	41
Total or average	**4 042**	**15**	**38**	**41**	**61**

[a] This period covered only three months in order to adjust OIOS reporting to synchronize with the calendar year.

II

Priority areas for oversight

A. Peacekeeping

1. Capacity to learn from experience and readiness to act

9. A Lessons Learned Unit was established in the Department of Peacekeeping Operations in April 1995 in response to recommendations 1 to 4 of the progress report on the in-depth evaluation of peacekeeping: start-up phase[1] and recommendation 1 of the final report on the in-depth evaluation of peacekeeping operations: start-up phase.[2] The Unit is still in the process of building up its files of documentation. It is also commissioning new studies and "lessons learned" workshops. Useful end-of-mission assessments have already been completed on the Mozambique and Somalia operations and reviews have been drafted on most aspects of the Cambodia operation.

A Lessons Learned Unit was established in the Department of Peacekeeping Operations in response to OIOS recommendations.

10. What prerequisites to learning from experience remain? Learning from experience requires the intellectual work of making assessments, but it also requires that this intellectual understanding be translated into policies, standard operating procedures, guidelines and manuals that reflect the lessons learned. The mere existence of an end-of-mission assessment document, however thoughtful, is not sufficient to guarantee that any lesson will be learned by the United Nations as an institution. For this to happen, either new policies and procedures must be derived from the conclusions and recommendations of the assessments, or existing policies and procedures must be modified. The creation of a Lessons Learned Unit in the Department of Peacekeeping Operations is a first step along the road to institutional arrangements in the United Nations that will permit it to make efficient use in new missions of the lessons of past experience.

Frustration and inefficiency is imposed on field operations by a lack of standard operating procedures and lack of policies based on experience.

11. Broadly speaking, there has been a considerable effort made over the past year or so to implement the recommendations aimed at developing at Headquarters a ready capacity to backstop substantive components set out in 1994 in the progress report on the evaluation of the start-up phase. The translation of lessons learned into policies, standard operating procedures, guidelines, handbooks and training manuals has now begun but is still in its early stages. The most progress over the last year has been in the civilian police function.

12. Some of the frustration and inefficiency imposed on field operations by the lack of standard operating procedures and policies derived from experience are vividly described in the end-of-mission assessment report on the Mozambique operation:

> "In spite of various efforts made on the part of the ONUMOZ staff, they were unable to obtain any reference documents from United Nations Headquarters or other missions with regard to procedures applied in other peacekeeping missions on such important issues as demobilization, ceasefire monitoring, storage and safe keeping of arms,

investigations into violations of the agreement, etc. Although one should expect the United Nations to have gained experience over the many years of peacekeeping, ONUMOZ staff had to create all rules applied for the implementation of key elements of its mandate in a complete vacuum. Months of negotiations with the parties were necessary to hammer out these essential operational tools. None of the staff members [of ONUMOZ] had any practical or legal experience in such matters as establishing rules for demobilization or investigations into ceasefire violations. It would have saved the mission a lot of time, money and headaches had samples from other missions existed, which could have been adapted to the Mozambican context. It is deemed invaluable that a centralized archive for such purposes is established at United Nations Headquarters."

13. It is clear that a basic documentation centre that can provide field offices with such material at their request and assist those charged with starting up a new mission, is not yet in place. The progress report had therefore, in recommendation 4,[3] proposed that the Department of Peacekeeping Operations should establish one by 30 September 1996. (See also recommendation 2 of the report on the termination phase, described in paragraphs 15 and 16 below.)

It is vital that the lessons of experience contained in end-of-mission assessments and lessons learned reports be institutionalized in the form of policies, guidelines, handbooks and manuals.

14. Despite the expected decline in resources for peacekeeping operations, it is vital that the lessons of experience contained in end-of-mission assessments and lessons learned reports be institutionalized in the form of policies, guidelines, handbooks and manuals covering the main tasks of multi-component missions. It would be an extraordinary waste of many hundreds of millions of dollars' worth of experience in tasks of continuing significance, such as the demobilization of warring factions, if the additional work needed to translate that experience into guides to practice was not undertaken.

2. Termination phase of peacekeeping operations

15. A report on the in-depth evaluation of peacekeeping operations,[4] submitted to the Committee for Programme and Coordination in May 1996, presented findings and recommendations on translating the lessons of experience into practice, as described above in paragraphs 9 to 14, and, for the termination phase itself, on peace-building aspects of missions; successor arrangements; planning the termination phase; the liquidation of missions; the disposition of assets; and peacekeeping and other field activities in countries with continuing civil strife.

16. The Committee for Programme and Coordination discussed the report on the evaluation of the termination phase at its thirty-sixth session, expressed appreciation for it and agreed with the emphasis given to learning from experience. It endorsed recommendations 2, 5, 12, 14 (a) and (b) and 15 (b). The Committee also endorsed recommendations 1, 3 (a) and (b), 4, 14 (c) and 15 (a) with modifications and understandings. With respect to recommendations 3 (c), 6, 7, 9, 11 and 16, the Committee recommended that they be examined further by the relevant intergovernmental bodies.

3. Audit coverage of peacekeeping operations

17. In addition to audits of the Department of Peacekeeping Operations headquarters activities, audits on the following missions were conducted during the reporting period:

(a) United Nations Mission for the Referendum in Western Sahara (MINURSO);

(b) United Nations Military Observer Group in India and Pakistan (UNMOGIP);

(c) United Nations Iraq-Kuwait Observation Mission (UNIKOM);

(d) United Nations Peace Forces (UNPF);

(e) United Nations Transitional Administration for Eastern Slavonia, Baranja and Western Sirmium (UNTAES);

(f) United Nations Guards Contingent in Iraq/ United Nations Administrative Unit — Baghdad (UNGCI/UNAUB);

(g) United Nations Angola Verification Mission III (UNAVEM III);

(h) United Nations Operation in Somalia (UNOSOM II);

(i) United Nations Mission in Haiti (UNMIH);

(j) United Nations Assistance Mission for Rwanda (UNAMIR);

(k) United Nations Mission for the Verification of Human Rights and of Compliance with the Commitments of the Comprehensive Agreement on Human Rights in Guatemala (MINUGUA);

(l) Mission of the United Nations in El Salvador (MINUSAL);

(m) United Nations Interim Force in Lebanon (UNIFIL);

(n) United Nations Truce Supervision Organization (UNTSO);

(o) United Nations Disengagement Observer Force (UNDOF);

(p) United Nations Observer Mission in Georgia (UNOMIG);

(q) United Nations Mission of Observers in Tajikistan (UNMOT).

18. In addition, resident auditors in UNMIH, UNPF and UNAVEM III provided continual audit coverage to those missions.

(a) United Nations Peace Forces

19. OIOS conducted a review of the management structure in the civilian staff component of UNPF in response to a request by the General Assembly in its resolution 49/228 of 23 December 1994. The field audit was carried out both at UNPF headquarters in Zagreb and in the sectors. The review focused on the UNPF Division of Management and Administration, which comprised 88 per cent of all civilian staff in the mission. OIOS believes that lessons learned from UNPF should serve as a guide for the management of future peacekeeping operations. A summary of major findings and recommendations was presented in a report submitted to the General Assembly in document A/51/305.

20. UNPF was the most extensive and complex peacekeeping operation in the history of the United Nations and operated under severe constraints. The great dedication of its management and staff enabled UNPF to maintain the required level of operations. Nevertheless, the review disclosed a number of problems that could have been prevented. Owing to the magnitude and complexity of the operation, most of these problems had considerable financial and other implications, which affected UNPF's ability to fulfil its mandate.

21. One major conclusion was that a more appropriate management structure could have saved UNPF significant resources. Another key conclusion was that frequent expansions of and changes in the UNPF mandate made the establishment of adequate internal controls even more important. OIOS recommended that future peacekeeping missions establish, at an early stage, an appropriate management structure with proper internal controls to allow efficient and effective management of operations.

A more appropriate management structure could have saved UNPF significant resources.

22. OIOS resident auditors and visiting audit teams provided continuous audit coverage of planning for the liquidation of UNPF and preparations for the transition to the three newly autonomous missions in the former Yugoslavia — UNTAES, UNMIBH and UNPREDEP. OIOS audits also focused on the administrative and operational aspects of the transfer of authority from UNPF to NATO-led Implementation Force (IFOR). OIOS determined, for example, that there was a lack of guidance to UNPF personnel in the field about preparations for the transfer of authority and that, as a result, inventories of United Nations-owned equipment worth over $35 million transferred to IFOR without a proper accounting at the time of transfer. OIOS further determined that there was a lack of internal control over the nearly $60 million in reimbursements to troop-contributing nations for vehicle spare parts and repairs to contingent-owned vehicles, and recommendations were made to strengthen the oversight of the programme and to recover $185,000 in reimbursements that were based upon fraudulent claims.

23. Recent audits centred on the planning of tasks to be completed during the mission's liquidation phase. The United Nations Transition Office in the Former Yugoslavia was in the process of transferring and disposing of more than 4,100 UNPF vehicles, 12,400 accommodation and ablution containers, 1,350 kitchen containers, 4,500 generators, 13,000 pieces of electronic data-processing equipment and over $10 million worth of expendable supplies on hand. As of May 1996, there were more than 200 claims against the Organization totalling more than $33 million pending review, as well as some 600 vehicle insurance claims and about 1,400 cases awaiting review by the Local Property Survey Board. OIOS audits emphasized

the need to expedite the billing for United Nations-owned equipment to be purchased by IFOR and to improve controls to prevent the wasteful purchase of equipment and supplies already available in UNPF stocks awaiting liquidation. Further, the valuation of contingent-owned equipment for which depreciation expenses and reimbursement for losses are expected to exceed $720 million needs to be more closely monitored.

UNPF purchased approximately 650 generators valued at $7.2 million that were either not used or sent to other missions.

24. UNPF purchased approximately 650 generators valued at $7.2 million that were either not used or sent to other missions. This was caused, in part, by a lack of a realistic needs assessment. The fact that many of the contingents brought in their own generating capacity appeared not to have been considered in the planning process. As a result, UNPF paid for generators not required in addition to the depreciation expense of the contingent-owned generators.

25. After the discovery of fraud committed by an international contractual employee working in the UNPF transport section, the resident auditor advised the Assistant Secretary-General for Management and Coordination on internal control aspects of the case and on proposed action to be taken against the perpetrator. On several other occasions, the resident auditor was asked to review operating instructions. His review resulted in significant changes in procedures, thereby increasing overall efficiency and effectiveness in the areas reviewed.

(b) United Nations Mission in Haiti

26. The OIOS resident auditor provided continuous coverage throughout the reporting period. Findings included an incomplete inventory of non-expendable property, inadequacies in the administration of compensatory time off, forgoing of substantial prompt payment discounts owing to delay in payments to vendors, and the need for better management of combat rations.

27. In addition, an audit of UNMIH found inadequacies in procurement planning and the procurement processes, lack of an effective fuel distribution control system, misrepresentation by some staff members of their presence in Haiti resulting in benefits to which they were not entitled and a number of other internal control deficiencies. By and large remedial action was taken by the management and further action suggested included disciplinary proceedings against staff members for fraudulent practices.

28. The resident auditor conducted an audit of UNMIH procurement and the use of United Nations Volunteers in the Electoral Assistance Unit in Haiti. The audit report was submitted to the Secretary-General.

29. The audit disclosed that, although procurement action was initiated in advance of the transition from the Multinational Force to UNMIH, there were avoidable delays in establishing the ration and service contracts. In the meantime, these services were obtained through a letter of assist. The delays cost the Organization $12.4 million, because letter of assist costs were higher. OIOS suggested that in order to avoid such costly delays, a clear time-frame should be established for concluding essential contracts with accountability for adherence. Alternatively, standing ration and service contracts could be negotiated in advance of a mission start-up.

Avoidable delays in establishing the ration and service contracts cost the Organization $12.4 million.

30. There were also delays in providing a communication network because a contractor failed to deliver the services on time and provided lower-grade circuits. As the contract did not provide for any penalty for delays or sub-standard supply, incorporation of a suitable penalty clause in future contracts was recommended.

(c) United Nations Angola Verification Mission

31. The resident auditor for UNAVEM III found a number of deficiencies in the administration of the mission. There was a lack of adequate control over payment of mission subsistence allowances, granting of compensatory time off and the engagement of personnel under special service agreements. Regarding procurement, the auditor noted shortcomings in bidding procedures: awards were based on recommendations made by the requisitioner without adequate scrutiny of bids. In addition some purchases were made without necessary contracts. The auditor had repeatedly pointed out the risks involved in the

non-segregation of procurement and receiving functions. The receiving function was eventually separated, after the intervention of the Department of Peacekeeping Operations. Further, there was an absence of physical verification of property and the inventory was incomplete.

32. A special review of the Political Affairs Division revealed lack of approved terms of reference, absence of a work plan, delayed and inadequate job descriptions, lack of performance evaluation, inadequate outputs, improper maintenance of records, excessive numbers of vehicles and lack of control over their use.

(d) United Nations Logistics Base

33. Two field audits of the United Nations Logistics Base at Brindisi, Italy, conducted during the reporting period made clear that it could play a key role in the storage and maintenance of surplus materials from closing and downsizing peacekeeping missions. Despite a lack of adequate financial resources, the Base had managed to provide a limited level of service to starting and existing peacekeeping missions. A number of areas, however, required significant improvement in order for it to fulfil its function effectively. The efficient organization and management of reserve stock is one of the most important issues facing the Base. Detailed findings will be provided in an upcoming report to the General Assembly.

The United Nations Logistics Base could play a key role in the storage and maintenance of surplus materials from closing and downsizing peacekeeping missions.

(e) Other audit issues

Inconsistent application of policies for compensatory time off

34. Military observers are granted up to six days of compensatory time off, with mission subsistence allowance, for each month of continuous service. The inconsistent and incorrect application of the Organization's policies as regards compensatory time off continues to be a problem in missions, as disclosed in audits of UNMOGIP, UNMOT, UNMIH, UNIKOM and UNAVEM III, and at the United Nations Logistics Base.

Overpayment of mission subsistence allowance

35. Field audits of five peacekeeping missions (UNMOT, UNOMIG, UNIKOM, UNGCI and MINUGUA) and the United Nations Logistics Base disclosed recurring problems concerning the interpretation and application of rules and regulations for the payment of mission subsistence allowance. As a result, overpayments of hundreds of thousands of dollars were made to staff and the Organization incurred significant financial loss owing to a lack of timely recovery action.

36. An audit of the United Nations Mission of Observers in Tajikistan (UNMOT), for example, determined that many military and civilian staff had been paid mission subsistence allowance in excess of the authorized rate. After following up with the Compensation and Classification Service, Office of Human Resources Management, OIOS reported that the policy followed by UNMOT was in error and recommended that the Mission take immediate action to implement the correct mission subsistence allowance rate and recover overpayments made. OIOS estimated that the Mission had made overpayments of approximately $50,000 per month, for a total of about $400,000 between January and August 1995. UNMOT disagreed with this recommendation and did not initiate recovery action until six months after it had been made. As a result of the delay, these amounts may no longer be recoverable, because many of the observers have, in the meantime, been repatriated; the Organization may have lost over $300,000.

37. As early as August 1993, an audit had determined that the United Nations Iraq-Kuwait Observation Mission (UNIKOM) erroneously paid mission subsistence allowance to its staff for annual leave, compensatory time off, weekends and holidays, thus leading to significant overpayments. UNIKOM management initially disagreed with the audit findings. A request for clarification from Headquarters confirmed the OIOS recommendation for recovery of those funds. However, a follow-up audit in July 1995 found that no recovery action had been initiated by UNIKOM. As a result, OIOS urged the Field Administration and Logistics Division to ensure that UNIKOM management identify and recover all mission subsistence allowance overpayments made since the Mission's inception. Eventually, UNIKOM identified overpayments estimated at $844,000, which are now being recovered.

38. In view of the magnitude of these and other losses, OIOS strongly recommended that an action plan be developed by the Administration to ensure that future mission subsistence allowance overpayments reported by OIOS are promptly recovered. In response to our recommendations, the Department of Peacekeeping Operations established a joint task force with the Office of Human Resources Management to conduct a comprehensive review of the Organization's policies in respect of compensatory time off and mission subsistence allowance. The results of this review should be disseminated to all field missions concerned in the near future.

Upon arrival in Haiti at UNMIH, the generators had to be re-shipped to the United Nations Logistics Base in Italy, resulting in unnecessary shipping costs of $328,000.

Shipping of peacekeeping equipment

39. Due care was not always taken when shipping equipment to peacekeeping operations. Several audits identified cases where the equipment shipped was either unusable or in such poor condition that it needed extensive repairs. Thirty-nine generators and one water-purification unit were shipped from the United Nations Logistics Base to UNMIH. Upon arrival, the generators were found to be incompatible with the electrical equipment at UNMIH. Further, the water-purification equipment arrived short of necessary parts and materials. Eventually, the generators and purification equipment had to be re-shipped to the Base, resulting in unnecessary shipping costs of $328,000. In addition, over $1 million of unusable ablution and accommodation units were shipped from UNOSOM to the Logistics Base. Finally, 59 containers of expired food rations were shipped from UNOSOM to UNAMIR. When inspected in 1994, they had been found to be fit for consumption. Subsequently, however, they turned out to be unusable at the time of their arrival since they had been stored in the blazing sun and used as a protective barrier around the offices of the Special Representative of the Secretary-General. A second inspection of the goods had not been conducted before UNOSOM shipped the supplies. As a result, the United Nations incurred substantial unnecessary shipping costs and port charges and had to spend an additional $40,000 to have the food destroyed.

4. Investigation of activities in the United Nations Disengagement Observer Force

40. Between February and May 1996, an investigation was conducted into allegations that two senior staff members were interfering with the decision-making process of the local committee on contracts with a view to favouring one of the local fresh ration suppliers, even though the latter had bid above the lowest acceptable bidder. The investigation revealed evidence that the favoured contractor, who had been supplying UNDOF with fresh food rations for the previous 12 years, had been providing poor-quality products and using United Nations trucks to smuggle import-controlled goods into the Syrian Arab Republic. The investigation also revealed evidence that the requirements imposed on bidders, including the lowest acceptable bidder, were more strenuous than those imposed on the favoured bidder. This course of action was found to have been initiated in order to manipulate the bidding process in favour of the existing contractor — even though his bid was $200,000 higher than the lowest acceptable bidder. The introduction of new requirements on the lowest acceptable bidder at each succeeding meeting of the local committee on contracts caused the latter to reach a stalemate position and delay the award of the contract to the lowest acceptable bidder, with the effect that the existing contractor secured several short-term extensions at a cost to the United Nations of $60,000. The stalemate situation reached such a level that the Force Commander set up an enlarged ad hoc local committee on contracts, which reviewed the bidding process and concluded that the contract should be awarded to the lowest acceptable bidder.

41. An investigation of the management practices by a senior staff member of the UNDOF Service Institute, the "P.X.", revealed a number of anomalies, for example, that the staff member, who effectively controlled the P.X., had used its facilities for personal purchases that breached the diplomatic protocols and customs laws under which the P.X. operated.

42. The investigations into the above-mentioned cases were initiated from reports made to the Investigations Section by UNDOF staff who had publicly identified themselves. As a result, the senior staff member involved took retaliatory action against them by accusing them of falsifying bid documents and then recommending that charges be brought. The substance of this staff member's charges was investigated and found to be false. As a result, OIOS instituted additional charges against the staff member in accordance with the provision of the OIOS mandate that provides for the protection of those who supply information to the Office.

43. Five recommendations were made to the effect that charges should be brought against the two senior staff members for breaching procurement rules and the provisions of the OIOS mandate. Another seven recommendations were made on the development of an enhanced quality control mechanism in the performance of the fresh rations contract; the use of United Nations vehicles in the transport of P.X. goods; and that the situation with "special orders" in the P.X. cease.

B. Humanitarian and related activities

1. Office of the United Nations High Commissioner for Refugees: implementation of recommendations of the 1993 evaluation

44. A triennial review of the implementation of the recommendations made by the Committee for Programme and Coordination at its thirty-second session on the evaluation of UNHCR was submitted to the Committee.[5] The review concluded that UNHCR had made progress in following through on the recommendations regarding new approaches to international protection and the search for durable solutions; external relations strategies; budgetary questions; and emergency response capacity. However, with regard to some recommendations, such as those relating to non-governmental organizations, progress had been somewhat mixed. In a few instances, because of external circumstances, there was little progress to report or a different approach had been taken to that recommended three years ago.

UNHCR had made a concerted effort to follow through on the recommendations concerning new approaches to international protection and the search for durable solutions; external relations strategies; budgetary questions; and emergency response capacity.

45. The Committee for Programme and Coordination discussed the triennial review of UNHCR at its thirty-sixth session and expressed appreciation for the report, which it found to be comprehensive. The Committee noted that its recommendations had helped UNHCR to improve its effectiveness, took note of the report and recommended that follow-up action on the issues raised in it be taken by UNHCR and other relevant organizations, and that oversight review of those actions should be undertaken by OIOS, as appropriate, as part of its overall internal oversight function.

2. Office of the United Nations High Commissioner for Refugees: audit activity

Country programmes

46. In addition to audits of UNHCR administration and headquarters operations, OIOS audited the following country programmes during the reporting period: Afghanistan, Austria, Bangladesh, Guinea, Hong Kong, Indonesia, Iraq, Mali, Mauritania, Mozambique, Myanmar, Pakistan, Sri Lanka, Thailand, Uganda and Zaire.

Weaknesses were identified in the financial controls of implementing partners and in the ability of UNHCR overseas offices to monitor their activities effectively.

47. Considerable emphasis was placed on the work carried out by implementing partners under sub-agreements with UNHCR. Common areas of weakness were identified in the financial controls of implementing partners and the ability of UNHCR overseas offices to monitor their activities effectively.

48. Frequently, funds issued by UNHCR to implementing partners were not maintained in separate bank accounts and accounting ledgers. Therefore, actual project expenditures and amounts of interest earned, and hence the funds refundable to UNHCR, were difficult to determine.

49. In a number of cases, implementing partners charged disproportionately high administration costs to UNHCR-financed projects. These charges often included the administrative costs of both their headquarters operations and field operations. In some instances UNHCR overseas offices heavily supported the administrative costs of the programme operations of the implementing partners by paying rental fees, salaries and overhead costs. Therefore, the additional project charges for "overhead costs" did not appear justified. Measures to address this problem have

meanwhile been endorsed by the Executive Committee of UNHCR.

50. Generally, implementing partners were slow to submit their final financial reports. In the absence of those reports, UNHCR is often not in a position to decide whether to recover unspent project balances or to initiate timely project closure. Since the delays also have notable repercussions on the availability and the cash management of UNHCR programme funds, UNHCR management in particular should strengthen this part of its capacity to monitor its implementing partners and discuss relevant measures to do so with its donors.

51. Implementing partners could not always account for substantial project expenditure reported to UNHCR. The accounting systems utilized created difficulties in performing reconciliations. There is a need for UNHCR management to improve monitoring procedures over project expenditure with particular emphasis on monitoring and substantiating financial commitments.

52. In order to expedite assistance to specific groups of refugees, UNHCR has increasingly financed quick implementation projects with various implementing partners. However, because of weak monitoring procedures, the progress of those projects was often difficult to monitor. As a result, the financial reporting was inadequate.

Cash management

53. Cash management both at UNHCR headquarters and in the field was a recurrent focus of audits during the reporting period. A review of the treasury function at headquarters disclosed that, apart from the provisions in the UNHCR Financial Rules, no formal guidelines had been issued on the conversion of currencies received from donors and subsequent investment.

54. The review of cash management in UNHCR overseas offices revealed that important field programmes operated on a cash basis because of local conditions. Special security measures must be taken for transporting the cash to field locations. Weaknesses were identified in the controls over the administration of such procedures.

55. Cash management was also reviewed with regard to currency requirements by implementing partners. Frequently when local currency situations were considered unstable or inflationary, sub-agreements and budgets were drawn up in United States dollars rather than in the local currency. Implementing partners thus received hard currency and were responsible for conversion to local currency. While documentation on such exchange transactions should be submitted to UNHCR, controls were weak, and sometimes non-existent, thus giving opportunity for abuses.

Advisory activities

Discusssions resulted in an agreement that $323,000 could be recovered.

56. In an earlier audit, the Audit and Management Consulting Division (AMCD) disclosed that major amounts were due from UNHCR's main implementing partner in one country. Some of these amounts resulted from financial years as early as 1984. AMCD analysed the financial statements submitted and supported UNHCR during their discussions with the Auditor-General of that country and the implementing partner in order to recover unspent project balances and other amounts due to UNHCR. These discussions resulted in an agreement that $323,000 could be recovered.

3. United Nations Relief and Works Agency for Palestine Refugees in the Near East

The inspection of UNRWA identified significant managerial problems at the headquarters level.

57. At the request of the Secretary-General, OIOS conducted an inspection review of the management and administrative practices of UNRWA. The inspection identified a number of significant managerial problems at the headquarters level, which can be summarized as follows:

(a) The decisions of the Commissioner-General are not controlled or overseen by any supervisory board or intergovernmental body;

(b) The internal institutional instruments, which had been established to provide guidance and advice to the Commissioner-General, such as the General Cabinet, the Administration and Management Committee and

the Personnel Resource Committee, had been marginalized to the point of rendering them ineffective. This had created an atmosphere of distrust and strained staff management relations;

(c) As for the internal systems of control, coordination and oversight, the OIOS review pointed out that: (i) the Audit Office had been weakening over the years with no apparent efforts on the part of management to strengthen it; (ii) the Planning and Evaluation Office had lost the confidence of those whose efficiency it was supposed to improve; and (iii) units within the Agency were not receiving any regular guidance on matters relating to their programmes and the discharge of their functions. There was also little evidence of feedback on these matters to the Commissioner-General;

(d) With respect to the challenges posed by the financial situation, the Agency's approach appeared to be piecemeal and lacked coherence and strategic thinking. The issue of generating savings, for instance, had been addressed mainly through freezing recruitment and salary increases, including the localization of international posts. The OIOS report points out that a meaningful discussion aiming at savings or budgetary reductions requires assessment and evaluation of programme activities to identify areas of redundancy and areas that lend themselves to streamlining and consolidation. It also requires setting up effective cost control mechanisms. Most importantly, it requires the translation of reduced resources into efficiency measures to ensure the provision of more services with less resources;

(e) On the question of the transfer of UNRWA headquarters to Gaza, the findings of the review suggest that UNRWA work could be seriously jeopardized if such a transfer did not also include the administration and financial services of the Agency. These services should not be fragmented or separated from their client departments with which they must interact on a regular basis. UNRWA reports that its administration and finance departments have moved to Gaza as part of its headquarters.

UNRWA's adapation to changing circumstances is attributable to the commitment and dedication of its area staff.

58. Notwithstanding the above problems, and in spite of the frequency of recurrent conflicts and crises in the region, UNRWA continued to provide its services, sometimes under harsh conditions.

59. The report acknowledges that the Agency's ability to adapt to changing circumstances is in no small measure attributable to the commitment and dedication of its area staff.

60. In the light of the findings of the review, a set of recommendations aimed at addressing the most important management problems were made for the action of UNRWA management. They included the following proposals:

(a) To reactivate and revitalize the role of the internal instruments of management immediately;

(b) To increase the transparency of the decision-making process and inform the staff of all important issues of concern to them, and to reassess the controversial organizational and personnel decisions taken in the last few years;

(c) To introduce management training;

(d) To strengthen audit functions and conduct investigative audits in high-risk and vulnerable areas;

(e) To transform the Programme, Planning and Evaluation Office into a solution-oriented management tool that monitors centrally the implementation of programmes and evaluates the results achieved in cooperation with the substantive departments concerned;

(f) To ensure that the functions, responsibility and accountability of the various departments/divisions is clearly articulated.

The newly appointed Commissioner-General of UNRWA has already initiated action to address the most pressing of these OIOS recommendations.

61. It should be noted that the newly appointed Commissioner-General of UNRWA has been responsive to, and appreciative of, the OIOS findings. He has already initiated action to address the most pressing of these recommendations.

4. The Department of Humanitarian Affairs

62. The Central Evaluation Unit of OIOS has commenced work on an in-depth evaluation of the Department of Humanitarian Affairs, for review by the Committee for Programme and Coordination at its thirty-seventh session, in May 1997.

5. Centre for Human Rights

63. The progress achieved in addressing the main recommendations emanating from the Centre's inspection review conducted almost two years ago has been rather slow. So far no concrete action has been taken to set up a system of programme oversight as an integral part of the management process, which would provide coherence and guidance in the formulation of the work programme, ensure coordination, monitor implementation, assess results and generate regular feedback on programme issues warranting the immediate attention of upper management. The absence of such a system undercuts the improvement introduced to the administrative functioning of the Centre by the appointment of a senior officer at the P-5 level to head the administration.

64. Tangible progress has been made on the OIOS recommendation on restructuring and a new organization of the Centre's secretariat has been put in place. However, it is not yet clear how well this new set-up functions. The last phase of the restructuring, which consists of developing the skill profiles required, matching them with existing skills and proceeding with needed redeployment, is scheduled to be completed before the end of 1996.

C. Procurement

1. General issues

65. During the reporting period, OIOS conducted an audit of procurement management initiated as a follow-up to the report of the High-level Group of Experts on Procurement and as an additional study of procurement operations focusing on management control at different stages of the process.

66. The main audit findings related to general problems in the organization of the procurement function. Specific shortcomings were revealed in pre-solicitation, contracting and the contract administration phases of the purchasing process. As indicated in the report of the Secretary-General of 9 February 1996 on the implementation of procurement reform in the United Nations Secretariat (A/C.5/50/13/Rev.1), a number of actions had already been taken or were planned with regard to the implementation of the reform measures recommended by the High-level Group of Experts on Procurement and by the internal and external auditors. In addition, management sought the comments of OIOS and suggestions on the draft of their new procurement manual. OIOS will continue to follow up on procurement reform issues.

Shortcomings were revealed in the pre-solicitation, contracting and contract administration phases of the purchasing process.

67. OIOS provided advisory services in several procurement cases and offered several recommendations concerning the management of substantial commercial contracts for the provision of services and goods to peacekeeping operations.

2. Procurement in the Department for Development Support and Management Services

68. OIOS carried out an audit of procurement for technical cooperation projects handled by the Contracts and Procurement Service of the Department for Development Support and Management Services during the reporting period; it revealed certain shortcomings in procurement controls and procedures. A summary of the major findings, recommendations and management's reactions has been

submitted to the General Assembly (A/50/945, annex). The extent of breaches of basic procurement control procedures noticed and other issues raised during the audit indicated a need to strengthen the procurement process. Purchases were being made from certain procurement agencies with poor or no credit appraisal rating, exposing the Organization to serious risks, and involving apparently higher costs. OIOS expected that, as a result of this audit and follow-up, the Department would strengthen the planning, monitoring and control of the procurement process and thereby enhance the integrity of the process, diversify the sources of procurement and improve cost-effectiveness. OIOS was assured that the Department had taken the necessary steps.

69. A separate audit covered procurement for peacekeeping operations handled by the Department to cope with emergency situations; it revealed certain shortcomings in procurement controls and procedures. The main reasons for those weaknesses were inadequate preparation and lack of necessary orientation of the Department's procurement staff for this special task. Remedial action, wherever needed, was subsequently taken by the Department, and OIOS was assured that any future delegation of work would be planned with a view to better training and coordination, particularly in the areas of procurement planning and technical backstopping.

3. Procurement in the Office of the United Nations High Commissioner for Refugees

70. The bulk of UNHCR procurement is carried out at its headquarters in Geneva. However, owing to the decentralized manner in which UNHCR operates, procurement is also carried out by overseas offices and implementing partners. The Office's financial reporting system does not allow it easily to compile and furnish procurement information for both headquarters and field offices. Thus, the total value of goods purchased by it cannot be readily determined, even though the availability of such financial information is needed for overall control and decision making. For example, the UNHCR headquarters Supply and Transport Section purchased motor vehicles and spare parts valued at $20 million, 20 per cent of total purchases handled by the Section. However, field offices overseas and implementing partners also spent considerable amounts on the purchase of vehicles and spare parts, estimated to total some $6 to 7 million. The Supply and Transport Section, which is responsible for procurement, was unaware of these purchases. A more coordinated approach to procurement would allow more effective and efficient use of UNHCR funds and is being adopted by UNHCR.

71. In addition, OIOS found that UNHCR did not always expeditiously assume responsibility for procurement functions that had been performed by implementing partners during emergencies once the emergency phase of an operation was over. Regarding procurements of technical complexity, it was found that UNHCR did not always seek the requisite expertise. The Office's considerable efforts to redeploy redundant equipment to programmes where it was needed were not always successful. The major cause of failure was a lack of assessment of the exact needs of the receiving programme.

4. Procurement in the United Nations Office at Geneva

72. An audit of procurement activities at the United Nations Office at Geneva revealed a number of weaknesses in the procurement procedures, such as unclear assignment of responsibilities for paper supply management; insufficient time for replying to requests for proposals; involvement of the requisitioner in supplier identification; and blocking of funds resulting from unrefunded value-added tax. OIOS noted irregularities in the procurement of supplies for the Pisa Warehouse of the Department of Humanitarian Affairs. The contract was awarded to a late bidder whose quotation was opened after the public opening session. Proposals that did not comply with the requirements of the request for proposals were opened and considered.

73. The audit found instances where receipts of bids were not properly handled. There was no audit trail of the time of receipt of the bids since the outer coverings could not be traced. In addition, the clock used to stamp the time of receipt of bids could be easily tampered with. This cast doubts on the accuracy of the recorded time whenever bids were time-stamped upon receipt. Procurement officers signed bids opened during the public opening of bids in contravention of guidelines set forth in the Procurement Manual. The Office was responsive to the audit recommendations and efforts are under way to rectify the various problems.

5. Shipping and freight forwarding

74. A review of the shipping and freight forwarding activities by the Sea Transport Unit of Field Administration and Logistics Division, Department of Peacekeeping

Operations, and the Purchase and Transport Division, Office of Conference and Support Services, revealed a number of serious shortcomings in the procurement of shipping services. In the cases examined, requirements set forth in the request for proposal did not accurately reflect the services needed. Further, presentations before the Headquarters Committee on Contracts did not properly reflect the information provided in the bids. Original cargo and cost estimates were exceeded. In one case, a contract surpassed its not to exceed cost by $1.6 million, or 36 per cent of the original contract amount. Shippers operated without contracts and one contract was extended without rebidding. While the Organization benefited financially from allowing the sub-chartering of United Nations time-chartered vessels, the liability imposed and reimbursement terms were not clearly defined.

75. A review of shipping operations at the United Nations Office at Geneva indicated that the Organization could effect savings if it attuned its contract specifications and administration to developments in the increasingly competitive freight forwarding industry. Between 1993 and 1995, the Office paid more than $5.4 million for shipping and freight forwarding services. Based on a limited sample, the auditors identified considerable losses and forfeited benefits as a result of poor monitoring of these services where, for example, the rates paid by the Organization exceeded the rates specified in contracts and potential discounts were not used. For shipments of general merchandise, the Office did not bid competitively for shipper/freight forwarder services. Instead, it merely rotated the work between three contractors thus eliminating the possibility of achieving the lowest possible rates. The Office reported that revised specifications for shipments of both personnel effects and general merchandise were being developed and that a request for proposals would be launched soon.

6. Insurance

76. The United Nations is exposed to various types of risks that could result in losses and liabilities. To guard against such risks, the Administration has taken out a number of commercial insurance policies that reduce or eliminate its risk exposure. More than $700 million worth of the Organization's shipments were insured under the cargo policy between 1990 and 1994 at a premium cost of approximately $1 million per annum. The motor vehicle policy covers approximately 20,000 United Nations-owned and military contingent-owned vehicles and has an estimated total annual premium of about $4.7 million. The OIOS management audit of the administration of cargo insurance and third-party liability motor vehicle insurance confirmed that such policies have been an efficient way for the United Nations to procure global insurance coverage. Nonetheless, the audit disclosed many areas where costs could be reduced and insurance coverage provided in a consistent and coherent manner. The Administration has generally agreed to implement OIOS recommendations to improve the administration of the insurance programmes. Major findings and recommendations of this audit will be reported to the General Assembly.

The OIOS management audit of the administration of cargo insurance and third-party liability motor vehicle insurance confirmed that such policies have been an efficient way for the United Nations to procure global insurance coverage.

D. Problems in establishing new bodies

1. General observations

77. The United Nations has been utilized extensively by Member States in recent years as an institution for grappling with new challenges to the international community. But in the attempt to respond to those challenges, problems of organization and finance recur. From an oversight perspective, the beginning of a new operation or the establishment of a new organization is especially risk-prone. Time pressure, lack of experience, inadequate planning, delayed or insufficient delegation of authority or late availability of resources are often factors resulting in an accumulation of problems and severe efficiency losses at the initial phase of operations. OIOS is

From an oversight perspective, the beginning of new operations and the establishment of new organizations is especially risk-prone.

therefore giving special audit attention to newly established bodies in order to identify any problems and weaknesses at the earliest possible stage and permit immediate remedial action. In all cases to date management has been responsive to the audit recommendations and has taken measures to address the shortcomings disclosed.

2. International Tribunal for the Former Yugoslavia

78. A comprehensive audit of the International Tribunal for the Former Yugoslavia at The Hague showed that it took about 18 months from the date of the establishment of the Tribunal before it became fully operational. The 11 judges were appointed as early as November 1993 without the necessary administrative support for their work. Uncertainties in the terms and conditions of service of the judges caused unnecessary expenditures and only 5 of the 11 judges had taken up residence at The Hague by the end of 1995.

79. Despite a highly motivated staff, the establishment of the administrative support system and structure was marked by a number of problems. Delayed delegation of recruitment authority from Headquarters resulted in unauthorized recruitment actions. The grading of translators coincided with Office of Human Resources Management guidelines in only 3 of 14 cases. Further, personnel on loan from some donor countries started work before agreement on the terms and conditions of the loan had been reached. The arrangements for the construction, rental and maintenance of the office building and detention facilities could have been more efficient and transparent. The services of up to 15 guards were engaged more than half a year before the first detainee arrived and even before the construction of the detention facilities was completed. It was also noted that the information submitted to the General Assembly did not fully disclose the financing arrangement for the construction of major office leasehold improvements and of a court room. In addition, internal controls to verify construction costs needed to be strengthened. Delays in delegation of procurement authority and in establishing an administrative mechanism for procurement functions resulted in uneconomical procurement, procurement actions taken by unauthorized staff and exposure to unfavourable legal action.

The services of up to 15 guards were engaged more than half a year before the first detainee arrived and even before the construction of the detention facilities was completed.

80. The Tribunal's Administration has been responsive to the audit and has taken action to address most of the problems disclosed. OIOS will carry out a follow-up review in response to General Assembly resolution 50/212 C of 7 June 1996.

3. International Criminal Tribunal for Rwanda

Savings of about $3.2 million were effected in the proposed construction of court premises.

81. A first review of the administrative aspects of the International Criminal Tribunal for Rwanda at Arusha revealed the following: the process of recruitment of investigators needed to be expedited; the quality and strength of interpreters/translators were found to be deficient; the development of formal qualification criteria was needed for recruitment purposes; the Tribunal's Administration lacked the expertise for an effective management of its construction programme, in particular, security needs were not adequately taken care of in the construction planning; and there were deficiencies with regard to timely and proper financial reporting. While remedial action has been promptly taken on the basis of these audit recommendations and savings of about $3.2 million were effected in the proposed construction of court premises, further administrative problems have surfaced that will require an additional joint review by the Audit and Management Consulting Division and the Investigations Section, responding, *inter alia*, to General Assembly resolution 50/213 C of 7 June 1996.

4. United Nations Special Coordinator in the Occupied Territories

82. As suggested by the United Nations Special Coordinator in the Occupied Territories, an assessment of the present administrative set-up of the Office of the Special Coordinator was carried out. UNTSO administrative support to the Office, which was authorized by the Department of Peacekeeping Operations until the approval of the Office's budget by the General Assembly, continued owing to the lack of availability or continuity of suitable personnel for the Office in Gaza. This division of responsibility was found unsatisfactory because it resulted in a duplication of efforts between the Office and UNTSO. OIOS also recommended that, with the conclusion of host country agreement and the availability of a Chief Administrative Officer, the Office should take steps to organize its own administrative functions fully and become a self-accounting entity. For that purpose, measures will be taken by the Department of Peacekeeping Operations to increase the Office's logistical self-sufficiency, so that the mission will be able to undertake administrative and financial management of its operations.

III

Summary of major activities by oversight function

A. Audit and management consulting

1. Overall developments

83. During the reporting period, audits conducted by the Audit and Management Consulting Division covered the activities of the Secretariat, including peacekeeping missions and technical cooperation projects; the United Nations Offices at Geneva, Nairobi and Vienna; the Economic Commissions for Europe (ECE) and for Latin America and the Caribbean (ECLAC); the United Nations Environment Programme (UNEP); the United Nations Centre for Human Settlements (Habitat); the Office of the United Nations High Commissioner for Refugees (UNHCR); the International Trade Centre (ITC) and the International Tribunals for the Former Yugoslavia and for Rwanda.

84. During the reporting period, the Division identified almost $12 million in potential recoveries and savings. Almost $9 million in savings and recoveries were realized from actions recommended by the Division during this and prior periods. OIOS has adopted a conservative approach to estimating potential savings and a close monitoring of the implementation of recommendations has helped to increase actual recoveries.

During the reporting period, the Audit and Management Consulting Division identified almost $12 million in potential recoveries and savings, and almost $9 million in savings and recoveries were realized.

85. In view of the financial volume of operations and potential risks, a considerable part of the Division's resources was again devoted to peacekeeping, humanitarian activities, in particular UNHCR operations, and procurement. In addition to ongoing audits of various administrative areas, OIOS intensified efforts to provide management audit and consulting services to the Organization.

86. The Audit and Management Consulting Division opened 131 audit assignments between 1 July 1995 and 30 June 1996:

Headquarters section	20
Peacekeeping section	20
Field section	24
Electronic data-processing/audit section	5
Management audit and consulting section	6
European section	17
African section	10
UNHCR section	29
Total number of opened assignments	**131**

87. During the reporting period, these audits resulted in 260 audit communications, which contained 2,105 recommendations. Recommendations can be categorized by the following objectives:

Compliance with rules, regulations and policies	742
Economic and efficient use of resources	426
Protection of assets	411
Adequacy of internal controls	390
Achievement of objectives	136
Total number of recommendations	**2 105**

Recommendations were made in the following functional areas:

Programme/project management	271
Procurement	433
Property management	401
Cash management	181
Information systems	42
Financial accounting/reporting	327
Personnel/payroll/travel	450
Total number of recommendations	**2 105**

88. During the reporting period, many of the Division's posts remained vacant. At the beginning of 1996, only 42 of 53 Professional posts had been filled, which corresponded to a vacancy rate of almost 21 per cent. The filling of vacancies was hampered by the recruitment freeze related to the financial crisis, the fact that the newly approved posts for the biennium 1996-1997 were only budgeted at 50 per cent of their cost, the imposed vacancies under the 1996-1997 budget and the generally slow recruitment procedures of the Organization. By the end of the reporting period, three more posts had been filled, leaving eight posts vacant for which recruitment action was still not completed. With all posts filled, approximately 2,000 additional audit days would have been available. This would have allowed a broader audit coverage and a considerably higher output.

89. The lack of travel funds in addition to the vacancy situation also affected the implementation of the audit plan. The suspension of official travel during the later part of 1995 owing to the cash crisis resulted in the cancellation of several scheduled field audits.

The lack of travel funds and the vacancy situation affected the implementation of the audit plan.

90. During the reporting period, the representation of women in the Division improved. Four female Professionals joined the Division during the past 12 months (1 P-5, 1 P-3 and 2 P-2).

91. The Division intensified its efforts to provide specialized training to its audit staff. A two-week seminar for the Geneva- and Nairobi-based auditors focused on performance auditing and client-oriented auditing. Other training activities included such topics as internal control standards, procurement audits, use of technologies in audit and effective audit presentation. In the area of training, the Division cooperates with the Institute of Internal Auditors and other professional training institutions. Its training efforts have also been supported by the supreme audit institutions of various United Nations Member States.

92. On the basis of a memorandum of understanding between the United Nations International Drug Control Programme and OIOS, the Audit and Management Consulting Division has assumed the internal audit function for activities financed by the Fund of the Programme effective 1 May 1996. Agreement has also been reached between the United Nations Joint Staff Pension Fund and OIOS on the provision of internal audit services for the Fund. OIOS has established a United Nations Joint Staff Pension Fund Audit Unit that will assume its functions in September 1996. Both the United Nations International Drug Control Programme and the United Nations Joint Staff Pension Fund will reimburse OIOS for the costs of the audit services delivered.

Internal control standards

93. The Organization as a whole has not yet responded to the OIOS recommendation to adopt a set of internal control standards. However, the Field Administration and Logistics Division of the Department of Peacekeeping Operations has agreed to incorporate a component on internal controls in its training program for peacekeeping managers. OIOS welcomes this first step and looks forward to similar initiatives on the part of the Organization's executive management.

2. Significant findings and recommendations

Peacekeeping operations

94. See paragraphs 17 to 39 above.

Office of the United Nations High Commissioner for Refugees

95. See paragraphs 46 to 56 above.

Integrated Management Information System

96. The electronic data-processing section of the Audit and Management Consulting Division worked closely with IMIS staff to ensure that the design and construction, testing, conversion and implementation of IMIS meets data-processing and audit standards for the development and delivery of information systems, and that adequate internal controls and processes are built into IMIS design and continue as an integral part of its delivery and implementation.

E-mail

97. A management audit of e-mail showed that e-mail has become an essential form of communication for the United Nations with enormous potential for improving the economy, efficiency and effectiveness of the Organization. The audit found that policy and objectives were not clearly defined; performance measures and evaluation criteria were not established; and management had not yet determined a comprehensive strategy for achieving organizational objectives. A separate report on major findings and recommendations has been submitted to the General Assembly (see A/50/1005).

Data processing in the regional commissions

98. In keeping with the Division's plan for the review of data-processing operations in the regional commissions, an audit was conducted of the ECLAC data-processing system, which included the computer environment, its operations and applications procedures. Attention was focused on the Computer Services Section, which is entrusted with the information technology infrastructure and the task of facilitating its efficient utilization by staff, thereby enhancing overall ECLAC performance and productivity. Major findings included a need for the steering committee to direct data-processing activities more actively, development of a more formal methodology to ensure accuracy and reliability of financial information and improvement of security and disaster recovery operations.

General administration

99. Audits were conducted, *inter alia*, in the areas of staffing table controls; education grants; mobility and hardship allowance; rental subsidies; and travel.

100. Audits of rental subsidies of the United Nations Centre for Human Settlement (Habitat) and UNEP revealed large overpayments to staff as a result of serious shortcomings in internal controls. In particular, the administrations failed to ensure the annual submission of applications or to establish benchmarks for reasonable rents. At Habitat, one staff member alone was overpaid by $150,000, having received an average monthly overpayment of approximately $2,500 over several years. The problem was exacerbated by the staff member's failure to question the justification for the noticeable amount of monthly overpayment. The United Nations Office at Nairobi has already initiated recovery in proportion to the monthly overpayments; further-reaching efforts to recover the overpayment in a lump sum are subject of an appeal under review by United Nations Headquarters. In another case, resulting in an overpayment of $33,000 over a three-year period, a staff member was paid rental subsidy at rates applicable to a lease agreement for a New York apartment even after taking residence on another continent. At UNEP, one staff member was overpaid an amount of more than $13,000. In addition, there is no clear guidance as to what services should be included in rents. For example, fees for such services as security, gardening, water, swimming pools and saunas were sometimes included in the rents, staff thus being subsidized by the United Nations. In response to the audit, the United Nations Office at Nairobi has undertaken a review of all rental subsidy payments and initiated recovery action where required.

At Habitat, one staff member was overpaid by $150,000, having received an average monthly overpayment of approximately $2,500 over several years.

101. At the United Nations Office at Geneva, the Audit and Management Consulting Division audited the implementation of the lump-sum option for home leave, education grant and family visit travel. This option gives staff members the possibility to make their own travel arrangements and receive a lump-sum payment in lieu of the regular option. The lump sum is equivalent to 75 per cent of the cost of the full economy-class fare by the least costly scheduled air carrier between Geneva and the closest airport to the established place of home leave. It was expected that the application of this option would result in savings on travel expenditures to the Organization and eliminate a part of the processing offices' heavy workload. In 1994, 90 per cent of all Geneva staff members who undertook home leave, education grant and family visit

travel selected the lump-sum option. The audit revealed that the lump sum option simplified procedures and resulted in a considerable reduction of administrative workload and related costs. It can produce reasonable benefits if the level of cash incentive paid is adequate. However, in many of the cases reviewed, the lump sum was more expensive than the regular option since entitlements for excess baggage and unaccompanied shipment, which most staff members do not actually use in full, were included when determining the incentive level of the lump-sum payment. OIOS recommended that the administration closely monitor the costs of the lump-sum option compared with the regular travel option, taking into consideration the actual use of entitlements to excess baggage and unaccompanied shipment made by staff members.

United Nations Postal Administration

102. The Division audited the operations of the United Nations Postal Administration (UNPA). UNPA is currently facing financial difficulties and may be unable to finance its own activities in the future if it continues to generate losses. Results from its operations revealed a continuous downward trend over the period from 1990 to 1995. A continuous decrease in sales over the bienniums 1992-1993 and 1994-1995, combined with an increase in expenditures, resulted in a net loss of $2.2 million as at 31 December 1995. Owing to this negative development, 94 per cent of the General Fund reserve was already withdrawn by UNPA and utilized for operations between 1991 and 1995. If this negative trend cannot be reversed, the Administration's continuation in its present form would have to be reconsidered by the United Nations.

The United Nations Postal Administration is currently facing financial difficulties and may be unable to finance its own activities in the future if it continues to generate losses.

United Nations access control system

103. An audit of the proposed United Nations access control system was conducted and reported to the General Assembly (A/50/791, annex). According to the contract for the system, the contractor was to design, develop, supply, install, test and implement, on a turn-key basis, an electronic security and card access control system. Because the system was never implemented, the Organization realized a net loss of more than $1.3 million. OIOS concluded that major factors that had contributed to the failure of the project were management shortcomings, poor planning and the lack of a feasibility study. The audit also revealed serious weaknesses in internal controls and flaws in procurement. OIOS has not yet received a reply regarding the recommendations included in its report. (See also paragraph 120 below.)

Technical cooperation projects

104. The Audit and Management Consulting Division conducted an audit of 24 technical cooperation projects executed by the Department for Development Support and Management Services involving about $60 million. The audit included field visits to Ghana, Japan, Malawi, Niger, Uganda, the United Republic of Tanzania and Zimbabwe. A comprehensive review of the management of the projects disclosed delays in the project formulation and start-up stages; inadequacies in project formulation; execution of projects without work plans; significant cost escalation due, among other reasons, to delayed start and prolonged implementation of projects; inadequate project monitoring and control; and lack of project evaluation or follow-up to evaluation. The remedial measures recommended included regulation of project formulation, approval and commencement within a time-frame; improved monitoring and enforcement of accountability; and development of a mechanism by which lessons learned in project evaluations are communicated to the project formulators and managers.

Advisory activities

105. In the course of conducting audits, management advice is routinely provided. Resident auditors in UNMIH, UNPF and UNAVEM III as well as auditors located at Headquarters and in offices at Geneva and Nairobi provided management advice during the reporting period. Additionally, auditors contributed to the United Nations Office at Vienna's efficiency review.

3. Status of ongoing audits requested by the General Assembly

Outsourcing

106. In its resolution 50/214 of 23 December 1995, the General Assembly requested OIOS to undertake a

comprehensive audit of outsourcing practices, including, in particular, the contracting process and to report thereon to the Assembly at its fifty-first session. OIOS worked in cooperation with the Joint Inspection Unit, which is currently conducting a major study on outsourcing in United Nations organizations. The audit scope included outsourcing efforts at the Secretariat at Headquarters; United Nations Offices at Geneva, Vienna and Nairobi; UNHCR; and selected peacekeeping missions. The following areas were covered: catering operations, travel services, computer installation and maintenance, software application development and support, building maintenance and cleaning services. The objectives of the audit were to review the outsourcing decision-making process and to assess the adequacy of internal controls over the contracting, delivery and monitoring of services. The major audit findings and recommendations will be presented to the General Assembly in a separate report. Prior to any expansion of outsourcing efforts, the United Nations should review these audit findings and recommendations and use them to formulate a standardized outsourcing policy. The report will also include findings specific to each of the outsourcing areas and recommendations to strengthen each contract reviewed as part of this audit.

Prior to any expansion of outsourcing efforts, the United Nations should use audit findings and recommendations to formulate a standardized outsourcing policy.

Catering

107. The General Assembly, in its resolution 50/214, requested OIOS to examine the management of the catering facilities at Headquarters and to report thereon at its fifty-first session. The audit reviewed and evaluated the United Nations catering operations to determine the adequacy of management controls and assessed the efficiency and effectiveness of oversight by concerned United Nations officials. It also included a review of the execution of contracts between the United Nations and the vendor, and of the reliability and integrity of financial and accounting information reported by the vendor to the United Nations. The major audit findings and recommendations will be presented to the Assembly in a separate report. Based on the audit, the United Nations should try to achieve more favourable terms and conditions for the next catering contract.

B. Investigation

1. Overall developments

108. During the reporting period, the Investigations Section received 205 complaints, of which 107 were in the Americas; 50 in Europe; 36 in Africa; 9 in Asia; and 3 in the Middle East. During the period, the Investigations Section issued 13 reports and 46 communications and sent 37 referrals to appropriate United Nations administrators.

109. The complaints ranged from matters that affected only a few staff members to those which affected the policies of the Organization. Every complaint made to the Investigations Section is carefully reviewed and considered. Because of the limited resources of the Section and the resultant need to devote them to the most serious cases, most work involved matters of greatest significance to the Organization or a particular part of the Organization. The Investigations Section cannot handle matters such as personnel grievances more appropriately addressed elsewhere in the Organization.

110. Nineteen individuals availed themselves of the HOTLINE facility, which allows reports to be made in anonymity. This represents less than 10 per cent of the total complaints received during the reporting period. OIOS is pleased to note that the vast majority of those who brought problems to its attention including by HOTLINE trusted the protection afforded to them under ST/SGB/273 and did not hesitate to reveal their identities to the Investigations Service.

The vast majority of those who brought problems to the attention of OIOS did not hesitate to reveal their identities to the Investigations Section.

111. The Investigations Section has developed systems and other devices to protect sources of information, whether they are staff members or officials or contractors or private citizens, so that concerns about retaliation can be allayed.

Further, where retaliation appears to have occurred, the Section moves rapidly, as provided by ST/SGB/273, to protect the source.

112. In addition to its caseload, the Investigations Section, with the assistance of the General Legal Division of the Office of Legal Affairs, developed and issued terms of reference,[6] which provide guidance to staff on the implications of a finding by OIOS of mismanagement, misconduct, waste of resources or abuse of authority. This document defines the terms found in the OIOS mandate so that officials, staff and others inside and outside the Organization will be fully apprised of the incorporation of the activities of the Investigations Section into the existing legal system of the Organization.

113. Another new development for the Investigations Section has been work related to the separately administered funds and programmes of the Organization, arising from complaints involving the funds and programmes made directly to the Investigations Section and from requests by a fund or programme for investigative advice or assistance. Several such matters were undertaken during the period under review.

Suggestions

114. The Investigations Section also receives reports from staff and other persons engaged in activities under the authority of the Organization suggesting improvements in programme delivery.[7] During the reporting period, OIOS received seven suggestions. All suggestions were reviewed to ensure that they met basic eligibility and validity criteria. Suggestions that met these basic criteria were referred to the appropriate office for assessment.

Case management system

115. The Investigations Section has developed a computer database program to keep track of its caseload and facilitate the organization of the information gathered.

Staffing

116. Investigations Section Professional staff during the first half of 1996 consisted of one P-5, one P-4, one P-3 and another P-3 on short-term contract. One additional P-3 investigator joined the Section in July 1996 and one P-4 investigator based in Nairobi joined the Section in August 1996, bringing the Investigations Section Professional staff to 6 and the total staff to 10. Owing to the significant increase in the caseload during the last half of the calendar year 1995 and the freeze on hiring on three of the five 1996-1997 posts, the Investigations Section was not able to clear the entire backlog of cases from 1994-1995. The lack of experienced investigators is a major problem facing the Section.

2. Some illustrative cases

United Nations Disengagement Observer Force

117. See paragraphs 40 to 43 above.

Investigation into allegations of mismanagement, abuse of authority and waste of resources

118. In February 1995, the Investigations Section received a complaint that a former senior staff member of Printing Services at the United Nations Office at Geneva had engaged in "private" printing by using United Nations physical resources for his own purpose. In the course of the investigation, the Investigations Section determined that the practice of "private" printing at the Printing Services in Geneva was accepted and had become entrenched. The evidence confirmed the allegation. Recommendations were made and accepted to reprimand the former staff member formally for mismanagement, abuse of authority and waste of resources; to upgrade and tighten the existing United Nations rules that apply to the document control system; and to issue a general warning that such practices and disregard for United Nations rules will not be tolerated.

The practice of "private" printing at the Printing Services in Geneva had become entrenched.

Investigation into the seminars conducted by the Special Committee on the Situation with Regard to the Implementation of the Declaration of the Granting of Independence to Colonial Countries and People

119. OIOS received a complaint concerning the possible misuse and waste of funds in connection with a seminar conducted by the Special Committee. In a report dated 5 February 1996 to the Under-Secretary-General for Political Affairs, OIOS advised that the funds had been used in accordance with United Nations rules and regulations, but

raised the issue of the benefit to the Organization that the seminar venue provided to the work of the Special Committee. Following receipt of that report, the Under-Secretary-General for Political Affairs asked OIOS to review the costs and benefits of other seminars associated with the Special Committee. The Investigations Section found that between 1990 and 1995 the same agenda items were discussed; the same or similar conclusions were reached; more than 75 per cent of those for whom the seminars were intended did not attend; and the estimated cost of five seminars held between 1990 and 1995 had been $625,000. Although travel money was being curtailed throughout the Organization, another regional seminar was planned for early June. The Under-Secretary-General for Political Affairs responded to the OIOS report by stating that he and his staff had repeatedly requested the Chairman of the Committee and its Bureau to consider postponing or cancelling its seminar in June 1996. His suggestion had not been accepted by the Special Committee, some of whose members questioned the propriety and legitimacy of the Secretariat making such observations or suggestions, and the seminar had been conducted.

Investigation into the United Nations access control system project

120. As a follow-up to a report issued by the Audit and Management Consulting Division (see para. 103 above), the Investigations Section was directed to conduct a review of the United Nations access control system, in accordance with the provisions of paragraph 18 of the OIOS mandate, for the purpose of determining whether any current staff members had violated United Nations rules and regulations in connection with this project. Specifically, the Investigations Section had been requested to determine if the project had been properly planned; if the contract award was compliant with United Nations rules and regulations; if the project had been properly managed; and if the final acceptance and payment were compliant with United Nations rules and regulations and the contract. Although the evidence did not support a finding that responsibility for the financial loss sustained by the Organization could be attributed to the acts of any particular staff member, it did show that the project had not been properly planned. The contract award did not violate United Nations rules and regulations; OIOS observed, however, that no specific rules governed the preparation, evaluation and award by request for proposals and recommended remedial action. The single most serious failure in the process was the lack of a strong management presence.

Investigation into the death of a United Nations staff member in Addis Ababa

121. OIOS received a complaint alleging that a chief medical officer of the Economic Commission for Africa Medical Clinic, upon realizing the gravity of an injury sustained by a staff member and aware of the limitations of the medical facilities available in the area, failed to discharge his duties and delayed the evacuation of the staff member to Nairobi, resulting in his death. The evidence was that the chief medical officer's medical judgement not to evacuate immediately was not ill conceived given the patient's condition and treatment regimen.

OIOS called for the establishment of a regional medical director in a city in each of the geographical regions where the United Nations operates.

122. In the course of this review, evidence of serious problems involving the provision and supervision of medical care to staff members away from Headquarters was adduced. An issue that was viewed as pivotal in this case was the adequacy of the treatment the staff member received in Nairobi and the United Nations duty to monitor that treatment. The medical care provided by the United Nations must meet proper standards, especially in duty stations where staff members rely exclusively on the decisions made by United Nations health care providers. In order to protect and serve staff members better, OIOS recommended that the position of regional medical director be established in a city in each of the geographical regions where the United Nations operates. The regional medical director would be responsible for evaluating the adequacy of health care providers and facilities used to treat staff members and their dependants, and for closely monitoring all cases in which medical evacuation was authorized by the United Nations. OIOS also recommended that a medical field service unit be established by the Medical and Employee Assistance Division, with one senior medical officer and one medical officer at Headquarters. OIOS further recommended that additional travel money be made available to the Medical and Employee Assistance Division so that senior staff can travel to other duty stations to monitor and evaluate United Nations medical programmes and facilities. The Division concurred in those

recommendations but expressed concern about the financial implications.

123. The Investigations Section was requested and undertook to conduct an investigation into apparent fraud on the part of a senior member of staff of the United Nations Conference on Trade and Development (UNCTAD) in Geneva. The first indicator of the problem was detected by two UNCTAD General Service staff. The investigation is continuing, with the full cooperation of UNCTAD, and the case is pending with the Swiss authorities.

C. Inspection

UNRWA

124. See paragraphs 57 to 61 above.

United Nations Conference on Trade and Development

125. A report on the inspection review of the programme and administrative practices of the secretariat of UNCTAD was transmitted to the fiftieth session of the General Assembly on 14 December 1995 (A/50/719, annex). The findings and conclusions were briefly referred to in the previous report of the Secretary-General on the activities of OIOS (A/50/459, annex, para. 93).

An OIOS inspection of UNCTAD recommended a reduction of Professional posts at high levels subject to programme demands.

126. The main recommendations of the report concerned such issues as the role and mission of UNCTAD in the new international context; secretariat focus on areas of competence and comparative advantage; the streamlining of organizational structure; the downsizing of the Division for Programme Support and Management Services; a reduction in Professional posts with special attention given to reducing posts at the D-2, D-1 and P-5 levels subject to a determination of programme demands; an analysis of the workload of the General Service staff in order to effect a 15 to 20 per cent reduction; and a benchmark system for administrative services, based on best practices, to enable the establishment of a system of accountability for such services.

127. OIOS notes with satisfaction that its findings and recommendations played a catalytic role in speeding up certain reforms and that the final document of the ninth session of UNCTAD (the Midrand Declaration and a Partnership for Growth and Development) contains a restructuring of the mandate of UNCTAD.

128. The UNCTAD secretariat made savings of $6.7 million from post reductions in 1996-1997 as part of the savings measures requested in paragraph 7 of resolution 50/214. In that connection, it should be noted that in identifying the areas where savings could be made the management of UNCTAD was guided by the recommendations of the OIOS report.

Other matters

129. OIOS has had some informal exchanges with the Department of Political Affairs on the issue of learning from experience in the area of sanctions and with the Office of Conference and Support Services on remote translation and interpretation.

D. Monitoring

130. The Secretary-General's report on the programme performance of the United Nations for the biennium 1994-1995 (A/51/128 and Add.1) was prepared by OIOS. The report, which was submitted to the Committee for Programme and Coordination at its thirty-sixth session, put the overall implementation rate, in terms of quantity of outputs and services delivered in relation to commitments, at 73 per cent. That rate was considered positive, taking into consideration the multiplicity of new demands to which the Organization had to respond while simultaneously reforming its structures and methods of work through an ongoing process of streamlining and reorganization.

131. The findings highlight the problem of redundancy and duplication among many of the publications issued and in the documentation and reports submitted to intergovernmental bodies. This situation is attributed to the lack of adequate coordination at the formulation stage of the programme of work, compounded by the absence of a clearly articulated policy to be applied by various Secretariat units in approving material for publication or as background documentation for submission to intergovernmental bodies.

There is a problem of redundancy and duplication among many publications as well as reports submitted to intergovernmental bodies.

132. The report calls for a more effective use of the programming and budgeting process in addressing additional mandates. Changing demands and emerging needs have frequently prompted programme managers to adjust the work programme in the course of the biennium. The findings suggest that such adjustments have been translated, more often than not, into new activities additional to those which are ongoing and mandated even though, in many instances, there was enough flexibility to recast the new issues within the existing programme. There is also a strong indication of resources being spread thinly over a variety of activities. A greater clarity in the description of programmed activities in the budget document, as well as a refinement in the definition of main categories of activities under which the outputs and services are grouped, is needed to enhance the transparency of the reporting exercise.

There is a strong indication of resources being spread thinly over a variety of activities.

133. The report noted that financial constraints required a more focused programme and a greater integration of the work into fewer but more mutually supporting activities. Issues of duplication and complementarities within the same programme, as well as with other programmes of the Organization, should be addressed at the programme formulation stage. More often than not, objectives in the medium-term plan have been formulated in broad terms that do not allow an assessment of the validity and relevance of the changes introduced into the programme of work during the biennium.

134. The report provided explanations and quantitative details about the changes made in the implementation of the programme of work, and the respective roles of intergovernmental bodies and the Secretariat in shaping those changes, along with an indication of attendant resources by source of funding. It identified as redundant 181 outputs carried over for more than two bienniums and recommended that they not be carried further into the biennium 1996-1997. It also pointed to a number of problematic findings in certain departments, which required a closer examination. These concerned instances where little or no explanation could be provided to justify low rates of implementation, especially in high-priority areas, where substantial departures from programmed commitments remained unexplained, or where the level of deliveries did not appear commensurate with the resources utilized.

In certain departments little or no explanation could be provided to justify low rates of implementation, especially in high-priority areas.

135. The quality of departmental submissions received by OIOS for the 1994-1995 programme performance exercise clearly indicates that, in many departments and offices, there is inadequate commitment to oversight and, consequently, no coordinating or managerial mechanism that collects and analyses on a routine basis information on the progress made and results achieved under the various activities and programmes. Many departments do not have either a senior planning and coordinating function located within the office of the head of department or a unit to provide coordinated feedback on success and shortfalls, to ensure coherent strategies and to minimize duplicative efforts. As stated in paragraph 142 below, OIOS intends to issue guidelines and standards to ensure that coordinating mechanisms are established in various organizational units and used as a management tool.

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136. The Committee for Programme and Coordination discussed the programme performance report for the biennium 1994-1995 at its thirty-sixth session, endorsed the

findings and conclusions of the report, commended its quality and expressed appreciation for its clarity and useful contribution to the improvement of the programme planning and budgetary process.[8]

E. Evaluation

In-depth evaluation of the Department of Public Information

137. The report[9] contained findings and recommendations on: (a) the approach of the Department to implementing mandates; (b) the adequacy of the Department's services to redisseminators, the general public and substantive departments; and (c) the effectiveness of programme implementation, in particular in meeting the needs of target audiences and in disseminating information.

138. The Committee for Programme and Coordination discussed the in-depth evaluation report at its thirty-sixth session, expressed its appreciation for the report, and endorsed recommendations 1 to 13, 14A, 15, 16, 18 and 19, with modifications and understandings in the cases of recommendations 1, 2B, 4C, 15 and 16. The Committee decided that the report, together with its conclusions and recommendations on it, should be transmitted to the Committee on Information for consideration and action.[10]

In-depth evaluation of peacekeeping operations: termination phase

139. See paragraphs 15 and 16 above.

Triennial review of the evaluation of the Office of the United Nations High Commissioner for Refugees

140. See paragraphs 44 and 45 above.

Strengthening the role of evaluation findings in programme design, delivery and policy directives

141. The OIOS report to the General Assembly through the Committee for Programme and Coordination on this issue (A/51/88, annex) contained a review of the work on in-depth and self-evaluations during 1994-1995; information pertinent to Assembly decisions on topics for future in-depth evaluations; and, in the context of strengthening programme oversight in departments and offices, proposals on strengthening the link between the programme performance monitoring and self-evaluation systems.

142. The Committee for Programme and Coordination discussed the report at its thirty-sixth session, commended the report, which it found to be comprehensive and objective, and noted that the compressed cycle of in-depth evaluations had increased evaluation coverage without sacrificing quality. The Committee encouraged OIOS to develop guidelines on internal oversight within each unit at the departmental level, covering the following issues:

(a) Institutional arrangements for oversight, which in general should be centralized in one unit reporting to the head of the department;

(b) Minimum common standards, including, for all important publications, a requirement that the author department actively seek reviews in technical and specialized journals and, where appropriate, in the general press throughout the world;

(c) Training and other services to be provided by OIOS.

OIOS will address these issues as a matter of priority in the coming months.

The CPC noted that the compressed cycle of in-depth evaluations had increased evaluation coverage without sacrificing quality.

143. The discussion in the Committee of the triennial review of UNHCR (see paras. 44 and 45 above) was the first completion of an in-depth evaluation process since OIOS was established. The decision of the Committee on the triennial review, described in para. 45 above implies the following stages in a standard in-depth evaluation cycle:

Stage 1. A one year period of analysis culminating in a report to the Committee for Programme and Coordination on the in-depth evaluation, and a discussion of it by the Committee resulting in recommendations to the General Assembly.

Stage 2. A three-year period in which OIOS keeps track of the implementation of recommendations endorsed by the General Assembly. During that period OIOS will require periodic reports on implementation by the department concerned. This stage culminates with a report to the Committee for Programme and Coordination on implementation.

Stage 3. Transfer of responsibility for any follow-up action and continued tracking of the issues raised in the in-depth evaluation to other units of OIOS, in particular those concerned with audit and programme monitoring.

Notes

[1] E/AC.51/1994/3, paras. 8-10.

[2] E/AC.51/1995/2, paras. 16-18.

[3] E/AC.51/1994/3, para. 10

[4] E/AC.51/1996/3.

[5] E/AC.51/1996/4.

[6] ST/IC/1996/29.

[7] ST/SGB/273, para. 18.

[8] E/51/16, paras. 15-21.

[9] E/AC.51/1996/2.

[10] E/51/16, para. 75.

Appendix

Significant recommendations in the previous report of the Office of Internal Oversight Services on which corrective action has not been completed

Paragraph 28 (d) of ST/SGB/273 of 7 September 1994 requests OIOS to include in its annual report an identification of each significant recommendation in previous reports on which corrective action has not been completed. The following areas in which implementation of OIOS recommendations was not completed by 30 June 1996 were discussed in the previous annual report of OIOS (A/50/459, annex) in the paragraphs indicated.

Office of Internal Oversight Services	*Addressee/ subject/reference*	*Status*
Audit	Department of Administration and Management/United Nations access control system A/50/459, para. 65	Regarding the report on the United Nations access control system (A/50/791, annex), the Department of Administration and Management acknowledged weaknesses in the management process for project formulation and execution. However, implementation of recommendations that in the view of OIOS should be given priority attention by management has not proceeded.
Audit	Department of Peacekeeping Operations/United Nations Mission for the Referendum in Western Sahara A/50/459, para. 43	Implementation action by the Department of Peacekeeping Operations is awaited on two recommendations contained in the OIOS report on an investigation of certain allegations relating to MINURSO (A/49/884, annex). The Department of Peacekeeping Operations indicated that implementation was pending on one recommendation in the OIOS report on the audit of MINURSO (A/49/937, annex), open recommendations include the need for comprehensive reporting by the Mission to enable effective monitoring and review of its performance by United Nations Headquarters; and the need for a formal agreement for the provision of facilities other than office and lodging accommodations in MINURSO by the Governments concerned.

Office of Internal Oversight Services	*Addressee/ subject/reference*	*Status*
Inspection	Centre for Human Rights/ Programme and administrative practices. A/50/459, paras. 48-50	No concrete action has been taken to set up a system of programme oversight as an integral part of the management process proposed in the OIOS report (A/49/892, annex). Such a system is needed to provide coherence and guidance in the formulation of the work programme, ensure coordination, monitor implementation, assess results and generate regular feedback on programme issues warranting the immediate attention of upper management. Without such a system, the improvement introduced to the administrative functioning of the Centre through the appointment of a senior officer at the P-5 level to head the administration has been mitigated. This will continue to be the case until integrated systems of programme oversight and financial control are established. Only then could the effectiveness of resource management be enhanced.
Inspection	Department of Peacekeeping Operations/Field Administration and Logistics Division A/50/459, paras. 22-24	Despite some action on the part of the Department of Peacekeeping Operations, the main points of concern raised in the review remain valid. They pertain to staffing issues in the area of recruitment, policies and procedures governing staff administration and training, particularly in the light of the delegation of authority from the Office of Human Resources Management and areas where absence of adequate safeguards for controlling resources could subject the Organization to considerable risk.
Investigation	Office of Conference and Support Services/Allegation of misappropriation of United Nations assets at the United Nations Gift Centre. A/50/459, para.86	The report contains a total of 27 recommendations, which are in the process of implementation.
	Allegation concerning abuse of authority in ONUSAL.	In the context of drafting the code of conduct for United Nations staff, steps have been taken by the Office of Legal Affairs to reflect concerns expressed by OIOS in its report about the scope of staff rule 104.10 (c). The Office of Legal Affairs has advised OIOS that the staff rules will be amended to achieve consistency with the new code of conduct prior to submission to the General Assembly for approval. However, the process of amending staff rule 104.10 (c) as recommended by OIOS is not yet completed.
Evaluation	Department of Peacekeeping Operations/Recommendations in in-depth evaluations on learning from experience and the development of a ready capacity to act. A/50/459, paras. 18, 19, 95 and 96.	See paras. 9-14 in the present report.

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